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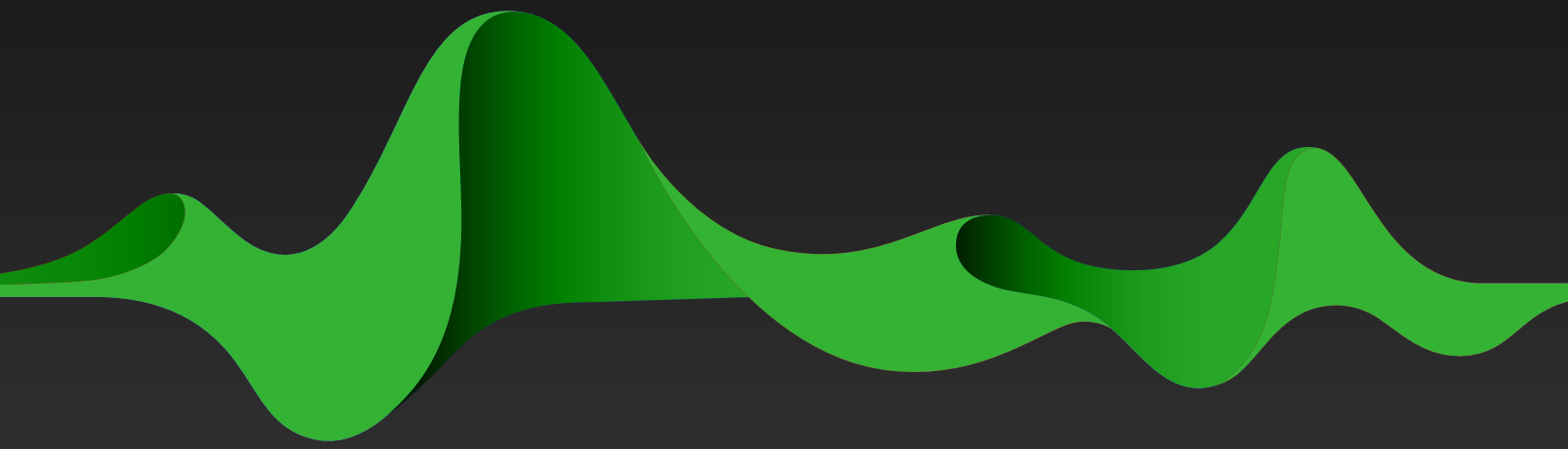
European Union Corporate Sustainability Reporting Directive and EU Statutes as Amended

MAY 2026



Current as of May 1, 2026

EUROPEAN UNION CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) AND EU STATUTES AS AMENDED

On January 5, 2023, Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting ("**CSRD**") entered into force in the EU, aiming to improve the quality and comparability of corporate ESG disclosures. Disclosure requirements are phased-in, for different qualifying entities, from 2024 to 2029. It requires transposition into law by Member States.

The CSRD significantly expands on the requirements of the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups ("**NFRD**"), which was the EU's previous legislative initiative in this area. The CSRD is not a standalone statute; rather, it revises sections of the following EU statutes:

This document sets forth the four consolidated EU statutes amended by the CSRD and subsequent related directives, including in redline format the statutory provisions as amended, with color-coding (as described below) to identify the origin of each amendment.

Amending Directive / Regulation	Amended Directives / Regulations	Date Entered Into Force	Color (Text &/or Highlight)
CSRD (Annex I at page **213**)	Accounting Directive, Transparency Directive, Audit Directive and Audit Regulation (each as defined above)	5 January 2023 (20 days after publication in Official Journal on 16 December 2022)	**Red text**
Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 (the	Accounting Directive, as regards adjustments of size criteria for micro, small, medium-	24 December 2023 (3 days after publication in Official Journal on 21 December 2023)	**Blue text**

Amending Directive / Regulation	Amended Directives / Regulations	Date Entered Into Force	Color (Text &/or Highlight)
"Delegated Directive") (Annex II at page **244**)	sized and large undertakings or groups		
Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023	Amending certain Directives related to the establishment and functioning of the European single access point	9 January 2024 (20 days after publication in Official Journal on 20 December 2023)	**Green text**
Regulation 2023/2869 of the European Parliament and of the Council of 13 December 2023	Amending certain Regulations related to the establishment and functioning of the European single access point	9 January 2024 (20 days after publication in Official Journal on 20 December 2023)	**Purple text**
Directive (EU) 2024/1306 of the European Parliament and of the Council of 29 April 2024	Amending Accounting Directive, as regards time limits for adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings	28 May 2024 (20 days after publication in Official Journal on 8 May 2024)	**Orange text**
Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 (Annex III at page **246**)	Amending CSRD and CSDDD (defined below) as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements	17 April 2025 (1 day after publication in Official Journal on 16 April 2025)	**Green highlight**
Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 (Annex IV at page **249**)	Amending Accounting Directive, Audit Directive, CSRD and CSDDD as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements	18 March 2026 (20 days after publication in Official Journal on 26 February 2026)	**Yellow highlight**

Please see below for a detailed table of contents linking CSRD Impacted EU Law (each of the Directives, their Chapters and Articles), as well as the full text of CSRD and the Delegated Directive (except for articles which amend CSRD Impacted EU Law, which are already incorporated into the consolidated redline versions of the statutes included herein, and except for articles which amend the EU Corporate Sustainability Due Diligence Directive ("**CSDDD**"), which is beyond the scope of this document).

Please note that this document has been prepared for convenience on the basis of consolidated texts (as amended) current as of the date of publication of this document. For authoritative versions, please refer to the versions published in the Official Journal of the European Union and available in EUR-Lex (and as linked in this document for ease of reference).

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Current as of May 1, 2026

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 (the "Accounting Directive")

CHAPTER 1
SCOPE, DEFINITIONS AND CATEGORIES OF UNDERTAKINGS AND GROUPS

ARTICLE 1
Scope

1 The coordination measures prescribed by this Directive shall apply to the laws, regulations and administrative provisions of the Member States relating to the types of undertakings listed:

(a) in Annex I;

(b) in Annex II, where all of the direct or indirect members of the undertaking having otherwise unlimited liability in fact have limited liability by reason of those members being undertakings which are:

(i) of the types listed in Annex I; or

(ii) not governed by the law of a Member State but which have a legal form comparable to those listed in Annex I.

1a. The coordination measures prescribed by Articles 48a to 48e and Article 51 shall also apply to the laws, regulations and administrative provisions of the Member States relating to branches opened in a Member State by an undertaking which is not governed by the law of a Member State but which is of a legal form comparable with the types of undertakings listed in Annex I. Article 2 shall apply in respect of those branches to the extent that Articles 48a to 48e and Article 51 are applicable to such branches.

2 Member States shall inform the Commission within a reasonable period of time of changes in the types of undertakings in their national law that may affect the accuracy of Annex I or Annex II. In such a case, the Commission shall be empowered to adapt, by means of delegated acts in accordance with Article 49, the lists of undertakings contained in Annexes I and II.

3 The coordination measures prescribed by Articles 19a, 29a, 29d, Article 30 and Article 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~~which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year:

(a) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC[1];

[1] 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).

(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[2].

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[3].

4 The coordination measures prescribed by Articles 19a, 29a and 29d shall not apply to the European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement or 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[4].

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.

ARTICLE 2
Definitions

For the purposes of this Directive, the following definitions shall apply:

(1) "**public-interest entities**" means undertakings within the scope of Article 1 which are:

(a) governed by the law of a Member State and whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments[5];

(b) credit institutions as defined in point (1) of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions[6], other than those referred to in Article 2 of that Directive;

(c) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings[7]; or

(d) designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees;

(2) "**participating interest**" means rights in the capital of other undertakings, whether or not represented by certificates, which, by creating a durable link with those undertakings, are intended to contribute to the activities of the undertaking which holds those rights. The holding of part of the capital of another undertaking is presumed to constitute a participating interest where it exceeds a percentage threshold fixed by the Member States which is lower than or equal to 20 %;

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[2] 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).
[3] 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).
[4] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1, ELI: http://data.europa.eu/eli/reg/2019/2088/oj).
[5] OJ L 145, 30.4.2004, p. 1.
[6] OJ L 177, 30.6.2006, p. 1.
[7] OJ L 374, 31.12.1991, p. 7.

(3) "**related party**" has the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[8];

(4) "**fixed assets**" means those assets which are intended for use on a continuing basis for the undertaking's activities;

(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[9]; 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[10]; 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;

(6) "**purchase price**" means the price payable and any incidental expenses minus any incidental reductions in the cost of acquisition;

(7) "**production cost**" means the purchase price of raw materials, consumables and other costs directly attributable to the item in question. Member States shall permit or require the inclusion of a reasonable proportion of fixed or variable overhead costs indirectly attributable to the item in question, to the extent that they relate to the period of production. Distribution costs shall not be included;

(8) "**value adjustment**" means the adjustments intended to take account of changes in the values of individual assets established at the balance sheet date, whether the change is final or not;

(9) "**parent undertaking**" means an undertaking which controls one or more subsidiary undertakings;

(10) "**subsidiary undertaking**" means an undertaking controlled by a parent undertaking, including any subsidiary undertaking of an ultimate parent undertaking;

(11) "**group**" means a parent undertaking and all its subsidiary undertakings;

(12) "**affiliated undertakings**" means any two or more undertakings within a group;

(13) "**associated undertaking**" means an undertaking in which another undertaking has a participating interest, and over whose operating and financial policies that other undertaking exercises significant influence. An undertaking is presumed to exercise a significant influence over another undertaking where it has 20 % or more of the shareholders' or members' voting rights in that other undertaking;

(14) "**investment undertakings**" means:

(a) undertakings the sole object of which is to invest their funds in various securities, real property and other assets, with the sole aim of spreading investment risks and giving their shareholders the benefit of the results of the management of their assets,

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[8] OJ L 243, 11.9.2002, p. 1.

[9] 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).

[10] 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) undertakings associated with investment undertakings with fixed capital, if the sole object of those associated undertakings is to acquire fully paid shares issued by those investment undertakings without prejudice to point (h) of Article 22(1) of Directive 2012/30/EU;

(15) "**financial holding undertakings**" means undertakings the sole object of which is to acquire holdings in other undertakings and to manage such holdings and turn them to profit, without involving themselves directly or indirectly in the management of those undertakings, without prejudice to their rights as shareholders;

(16) "**material**" means the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items;

(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;

(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[11] for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive.

ARTICLE 3
Categories of undertakings and groups

1 In applying one or more of the options in Article 36, Member States shall define micro-undertakings as undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:

(a) balance sheet total: EUR 450 000 ~~350 000~~;

(b) net turnover: EUR 900 000 ~~700 000~~;

(c) average number of employees during the financial year: 10.

2 Small undertakings shall be undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:

(a) balance sheet total: EUR 5 000 000 ~~4 000 000~~;

(b) net turnover: EUR 10 000 000 ~~8 000 000~~;

(c) average number of employees during the financial year: 50.

[11] 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).

Member States may define thresholds exceeding the thresholds in points (a) and (b) of the first subparagraph. However, the thresholds shall not exceed EUR 7 500 000 ~~6 000 000~~for the balance sheet total and EUR 15 000 000 ~~12 000 000~~for the net turnover.

3 Medium-sized undertakings shall be undertakings which are not micro-undertakings or small undertakings and which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:

(a) balance sheet total: EUR 25 000 000 ~~20 000 000~~;

(b) net turnover: EUR 50 000 000 ~~40 000 000~~ ;

(c) average number of employees during the financial year: 250.

4 Large undertakings shall be undertakings which on their balance sheet dates exceed at least two of the three following criteria:

(a) balance sheet total: EUR 25 000 000 ~~20 000 000~~;

(b) net turnover: EUR 50 000 000 ~~40 000 000~~;

(c) average number of employees during the financial year: 250.

5 Small groups shall be groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, do not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

(a) balance sheet total: EUR 5 000 000 ~~40 000 000~~;

(b) net turnover: EUR 10 000 000 ~~8 000 000~~;

(c) average number of employees during the financial year: 50.

Member States may define thresholds exceeding the thresholds in points (a) and (b) of the first subparagraph. However, the thresholds shall not exceed EUR 7 500 000 ~~6 000 000~~for the balance sheet total and EUR 15 000 000 ~~12 000 000~~for the net turnover.

6 Medium-sized groups shall be groups which are not small groups, which consist of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, do not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

(a) balance sheet total: EUR 25 000 000 ~~20 000 000~~;

(b) net turnover: EUR 50 000 000 ~~40 000 000~~;

(c) average number of employees during the financial year: 250.

7 Large groups shall be groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

(a) balance sheet total: EUR 25 000 000 ~~20 000 000~~;

(b) net turnover: EUR 50 000 000 ~~40 000 000~~;

(c) average number of employees during the financial year: 250.

8 Member States shall permit the set-off referred to in Article 24(3) and any elimination as a consequence of Article 24(7) not to be effected when the limits in paragraphs 5 to 7 of this Article are calculated. In such cases, the limits for the balance sheet total and net turnover criteria shall be increased by 20 %.

9 In the case of those Member States which have not adopted the euro, the amount in national currency equivalent to the amounts set out in paragraphs 1 to 7 shall be that obtained by applying the exchange rate published in the Official Journal of the European Union as at the date of the entry into force of any Directive setting those amounts.

For the purposes of conversion into the national currencies of those Member States which have not adopted the euro, the amounts in euro specified in paragraphs 1, 3, 4, 6 and 7 may be increased or decreased by not more than 5 % in order to produce round sum amounts in the national currencies.

10 Where, on its balance sheet date, an undertaking or a group exceeds or ceases to exceed the limits of two of the three criteria set out in paragraphs 1 to 7, that fact shall affect the application of the derogations provided for in this Directive only if it occurs in two consecutive financial years.

11 The balance sheet total referred to in paragraphs 1 to 7 of this Article shall consist of the total value of the assets in A to E under 'Assets' in the layout set out in Annex III or of the assets in A to E in the layout set out in Annex IV.

12 When calculating the thresholds in paragraphs 1 to 7, Member States may require the inclusion of income from other sources for undertakings for which 'net turnover' is not relevant. Member States may require parent undertakings to calculate their thresholds on a consolidated basis rather than on an individual basis. Member States may also require affiliated undertakings to calculate their thresholds on a consolidated or aggregated basis where such undertakings have been established for the sole purpose of avoiding the reporting of certain information.

13 In order to adjust for the effects of inflation, the Commission shall at least every five years review and, where appropriate, amend, by means of delegated acts in accordance with Article 49, the thresholds referred to in ~~paragraphs 1 to 7 of this Article~~the following provisions, taking into account measures of inflation as published in the Official Journal of the European Union~~.~~:

(a) paragraphs 1 to 7 of this Article;

(b) the fourth subparagraph of Article 19(1), the first subparagraph of Article 19a(1), the first subparagraph of Article 29a(1); and

(c) the second, fourth and fifth subparagraphs of Article 40a(1).

CHAPTER 2
GENERAL PROVISIONS AND PRINCIPLES

ARTICLE 4
General provisions

1 The annual financial statements shall constitute a composite whole and shall for all undertakings comprise, as a minimum, the balance sheet, the profit and loss account and the notes to the financial statements.

Member States may require undertakings other than small undertakings to include other statements in the annual financial statements in addition to the documents referred to in the first subparagraph.

2 The annual financial statements shall be drawn up clearly and in accordance with the provisions of this Directive.

3 The annual financial statements shall give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Where the application of this Directive would not be sufficient to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss, such additional information as is necessary to comply with that requirement shall be given in the notes to the financial statements.

4 Where in exceptional cases the application of a provision of this Directive is incompatible with the obligation laid down in paragraph 3, that provision shall be disapplied in order to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. The disapplication of any such provision shall be disclosed in the notes to the financial statements together with an explanation of the reasons for it and of its effect on the undertaking's assets, liabilities, financial position and profit or loss.

The Member States may define the exceptional cases in question and lay down the relevant special rules which are to apply in those cases.

5 Member States may require undertakings other than small undertakings to disclose information in their annual financial statements which is additional to that required pursuant to this Directive.

6 By way of derogation from paragraph 5, Member States may require small undertakings to prepare, disclose and publish information in the financial statements which goes beyond the requirements of this Directive, provided that any such information is gathered under a single filing system and the disclosure requirement is contained in the national tax legislation for the strict purposes of tax collection. The information required in accordance with this paragraph shall be included in the relevant part of the financial statements.

7 Member States shall communicate to the Commission any additional information they require in accordance with paragraph 6 upon the transposition of this Directive and when they introduce new requirements in accordance with paragraph 6 in national law.

8 Member States using electronic solutions for filing and publishing annual financial statements shall ensure that small undertakings are not required to publish, in accordance with Chapter 7, the additional disclosures required by national tax legislation, as referred to in paragraph 6.

ARTICLE 5
General disclosure

The document containing the financial statements shall state the name of the undertaking and the information prescribed by points (a) and (b) of Article 5 of Directive 2009/101/EC.

ARTICLE 6
General financial reporting principles

1 Items presented in the annual and consolidated financial statements shall be recognised and measured in accordance with the following general principles:

(a) the undertaking shall be presumed to be carrying on its business as a going concern;

(b) accounting policies and measurement bases shall be applied consistently from one financial year to the next;

(c) recognition and measurement shall be on a prudent basis, and in particular:

(i) only profits made at the balance sheet date may be recognised,

(ii) all liabilities arising in the course of the financial year concerned or in the course of a previous financial year shall be recognised, even if such liabilities become

apparent only between the balance sheet date and the date on which the balance sheet is drawn up, and

(iii) all negative value adjustments shall be recognised, whether the result of the financial year is a profit or a loss;

(d) amounts recognised in the balance sheet and profit and loss account shall be computed on the accrual basis;

(e) the opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year;

(f) the components of asset and liability items shall be valued separately;

(g) any set-off between asset and liability items, or between income and expenditure items, shall be prohibited;

(h) items in the profit and loss account and balance sheet shall be accounted for and presented having regard to the substance of the transaction or arrangement concerned;

(i) items recognised in the financial statements shall be measured in accordance with the principle of purchase price or production cost; and

(j) the requirements set out in this Directive regarding recognition, measurement, presentation, disclosure and consolidation need not be complied with when the effect of complying with them is immaterial.

2 Notwithstanding point (g) of paragraph 1, Member States may in specific cases permit or require undertakings to perform a set-off between asset and liability items, or between income and expenditure items, provided that the amounts which are set off are specified as gross amounts in the notes to the financial statements.

3 Member States may exempt undertakings from the requirements of point (h) of paragraph 1.

4 Member States may limit the scope of point (j) of paragraph 1 to presentation and disclosures.

5 In addition to those amounts recognised in accordance with point (c)(ii) of paragraph 1, Member States may permit or require the recognition of all foreseeable liabilities and potential losses arising in the course of the financial year concerned or in the course of a previous financial year, even if such liabilities or losses become apparent only between the balance sheet date and the date on which the balance sheet is drawn up.

ARTICLE 7
Alternative measurement basis of fixed assets at revalued amounts

1 By way of derogation from point (i) of Article 6(1), Member States may permit or require, in respect of all undertakings or any classes of undertaking, the measurement of fixed assets at revalued amounts. Where national law provides for the revaluation basis of measurement, it shall define its content and limits and the rules for its application.

2 Where paragraph 1 is applied, the amount of the difference between measurement on a purchase price or production cost basis and measurement on a revaluation basis shall be entered in the balance sheet in the revaluation reserve under ‘Capital and reserves’.

The revaluation reserve may be capitalised in whole or in part at any time.

The revaluation reserve shall be reduced where the amounts transferred to that reserve are no longer necessary for the implementation of the revaluation basis of accounting. The Member States may lay down rules governing the application of the revaluation reserve, provided that transfers to the profit and loss account from the revaluation reserve may be made only where the amounts transferred have been entered as an expense in the profit and loss account or reflect increases in value which have actually been realised. No part of the revaluation reserve may be distributed, either directly or indirectly, unless it represents a gain actually realised.

Save as provided under the second and third subparagraphs of this paragraph, the revaluation reserve may not be reduced.

3 Value adjustments shall be calculated each year on the basis of the revalued amount. However, by way of derogation from Articles 9 and 13, Member States may permit or require that only the amount of the value adjustments arising as a result of the purchase price or production cost measurement basis be shown under the relevant items in the layouts set out in Annexes V and VI and that the difference arising as a result of the measurement on a revaluation basis under this Article be shown separately in the layouts.

ARTICLE 8
Alternative measurement basis of fair value

1 By way of derogation from point (i) of Article 6(1) and subject to the conditions set out in this Article:

(a) Member States shall permit or require, in respect of all undertakings or any classes of undertaking, the measurement of financial instruments, including derivative financial instruments, at fair value; and

(b) Member States may permit or require, in respect of all undertakings or any classes of undertaking, the measurement of specified categories of assets other than financial instruments at amounts determined by reference to fair value.

Such permission or requirement may be restricted to consolidated financial statements.

2 For the purpose of this Directive, commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument shall be considered to be derivative financial instruments, except where such contracts:

(a) were entered into and continue to meet the undertaking's expected purchase, sale or usage requirements at the time they were entered into and subsequently;

(b) were designated as commodity-based contracts at their inception; and

(c) are expected to be settled by delivery of the commodity.

3 Point (a) of paragraph 1 shall apply only to the following liabilities:

(a) liabilities held as part of a trading portfolio; and

(b) derivative financial instruments.

4 Measurement according to point (a) of paragraph 1 shall not apply to the following:

(a) non-derivative financial instruments held to maturity;

(b) loans and receivables originated by the undertaking and not held for trading purposes; and

(c) interests in subsidiaries, associated undertakings and joint ventures, equity instruments issued by the undertaking, contracts for contingent consideration in a business combination, and other financial instruments with such special characteristics that the instruments, according to what is generally accepted, are accounted for differently from other financial instruments.

5 By way of derogation from point (i) of Article 6(1), Member States may, in respect of any assets and liabilities which qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, permit measurement at the specific amount required under that system.

6 By way of derogation from paragraphs 3 and 4, Member States may permit or require the recognition, measurement and disclosure of financial instruments in conformity with international accounting standards adopted in accordance with Regulation (EC) No 1606/2002.

7 The fair value within the meaning of this Article shall be determined by reference to one of the following values:

(a) in the case of financial instruments for which a reliable market can readily be identified, the market value. Where the market value is not readily identifiable for an instrument but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument;

(b) in the case of financial instruments for which a reliable market cannot be readily identified, a value resulting from generally accepted valuation models and techniques, provided that such valuation models and techniques ensure a reasonable approximation of the market value.

Financial instruments that cannot be measured reliably by any of the methods described in points (a) and (b) of the first subparagraph shall be measured in accordance with the principle of purchase price or production cost in so far as measurement on that basis is possible.

8 Notwithstanding point (c) of Article 6(1), where a financial instrument is measured at fair value, a change in value shall be included in the profit and loss account, except in the following cases, where such a change shall be included directly in a fair value reserve:

(a) the instrument accounted for is a hedging instrument under a system of hedge accounting that allows some or all of the change in value not to be shown in the profit and loss account; or

(b) the change in value relates to an exchange difference arising on a monetary item that forms part of an undertaking's net investment in a foreign entity.

Member States may permit or require a change in the value of an available for sale financial asset, other than a derivative financial instrument, to be included directly in a fair value reserve. That fair value reserve shall be adjusted when amounts shown therein are no longer necessary for the implementation of points (a) and (b) of the first subparagraph.

9 Notwithstanding point (c) of Article 6(1), Member States may permit or require, in respect of all undertakings or any classes of undertaking, that, where assets other than financial instruments are measured at fair value, a change in the value be included in the profit and loss account.

CHAPTER 3
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

ARTICLE 9
General provisions concerning the balance sheet and the profit and loss account

1 The layout of the balance sheet and of the profit and loss account shall not be changed from one financial year to the next. Departures from that principle shall, however, be permitted in exceptional cases in order to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Any such departure and the reasons therefor shall be disclosed in the notes to the financial statements.

2 In the balance sheet and in the profit and loss account the items set out in Annexes III to VI shall be shown separately in the order indicated. Member States shall permit a more detailed subdivision of those items, subject to adherence to the prescribed layouts. Member States shall permit the addition of subtotals and of new items, provided that the contents of such new items are not covered by any of the items in the prescribed layouts. Member States may require such subdivision or subtotals or new items.

3 The layout, nomenclature and terminology of items in the balance sheet and profit and loss account that are preceded by arabic numerals shall be adapted where the special nature of an undertaking so requires. Member States may require such adaptations for undertakings which form part of a particular economic sector.

Member States may permit or require balance sheet and profit and loss account items that are preceded by arabic numerals to be combined where they are immaterial in amount for the purposes of giving a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss or where such combination makes for greater clarity, provided that the items so combined are dealt with separately in the notes to the financial statements.

4 By way of derogation from paragraphs 2 and 3 of this Article, Member States may limit the undertaking's ability to depart from the layouts set out in Annexes III to VI to the extent that this is necessary in order for the financial statements to be filed electronically.

5 In respect of each balance sheet and profit and loss account item, the figure for the financial year to which the balance sheet and the profit and loss account relate and the figure relating to the corresponding item for the preceding financial year shall be shown. Where those figures are not comparable, Member States may require the figure for the preceding financial year to be adjusted. Any case of non-comparability or any adjustment of the figures shall be disclosed, with explanations, in the notes to the financial statements.

6 Member States may permit or require adaptation of the layout of the balance sheet and profit and loss account in order to include the appropriation of profit or the treatment of loss.

7 In respect of the treatment of participating interests in annual financial statements:

(a) Member States may permit or require participating interests to be accounted for using the equity method as provided for in Article 27, taking account of the essential adjustments resulting from the particular characteristics of annual financial statements as compared to consolidated financial statements;

(b) Member States may permit or require that the proportion of the profit or loss attributable to the participating interest be recognised in the profit and loss account only to the extent of the amount corresponding to dividends already received or the payment of which can be claimed; and

(c) where the profit attributable to the participating interest and recognised in the profit and loss account exceeds the amount of dividends already received or the payment of which can be claimed, the amount of the difference shall be placed in a reserve which cannot be distributed to shareholders.

ARTICLE 10
Presentation of the balance sheet

For the presentation of the balance sheet, Member States shall prescribe one or both of the layouts set out in Annexes III and IV. If a Member State prescribes both layouts, it shall permit undertakings to choose which of the prescribed layouts to adopt.

ARTICLE 11
Alternative presentation of the balance sheet

Member States may permit or require undertakings, or certain classes of undertaking, to present items on the basis of a distinction between current and non-current items in a different layout from that set out in Annexes III and IV, provided that the information given is at least equivalent to that otherwise to be provided in accordance with Annexes III and IV.

ARTICLE 12
Special provisions relating to certain balance sheet items

1 Where an asset or liability relates to more than one layout item, its relationship to other items shall be disclosed either under the item where it appears or in the notes to the financial statements.

2 Own shares and shares in affiliated undertakings shall be shown only under the items prescribed for that purpose.

3 Whether particular assets are to be shown as fixed assets or current assets shall depend upon the purpose for which they are intended.

4 Rights to immovables and other similar rights as defined by national law shall be shown under 'Land and buildings'.

5 The purchase price or production cost or revalued amount, where Article 7(1) applies, of fixed assets with limited useful economic lives shall be reduced by value adjustments calculated to write off the value of such assets systematically over their useful economic lives.

6 Value adjustments to fixed assets shall be subject to the following:

(a) Member States may permit or require value adjustments to be made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date;

(b) value adjustments shall be made in respect of fixed assets, whether their useful economic lives are limited or not, so that they are valued at the lower figure to be attributed to them at the balance sheet date if it is expected that the reduction in their value will be permanent;

(c) the value adjustments referred to in points (a) and (b) shall be charged to the profit and loss account and disclosed separately in the notes to the financial statements if they have not been shown separately in the profit and loss account;

(d) measurement at the lower of the values provided for in points (a) and (b) may not continue if the reasons for which the value adjustments were made have ceased to apply; this provision shall not apply to value adjustments made in respect of goodwill.

7 Value adjustments shall be made in respect of current assets with a view to showing them at the lower market value or, in particular circumstances, another lower value to be attributed to them at the balance sheet date.

Measurement at the lower value provided for in the first subparagraph may not continue if the reasons for which the value adjustments were made no longer apply.

8 Member States may permit or require that interest on capital borrowed to finance the production of fixed or current assets be included within production costs, to the extent that it relates to the period of production. Any application of this provision shall be disclosed in the notes to the financial statements.

9 Member States may permit the purchase price or production cost of stocks of goods of the same category and all fungible items including investments to be calculated either on the basis of weighted average prices, on the basis of the 'first in, first out' (FIFO) method, the 'last in, first out' (LIFO) method, or a method reflecting generally accepted best practice.

10 Where the amount repayable on account of any debt is greater than the amount received, Member States may permit or require that the difference be shown as an asset. It shall be shown separately in the balance sheet or in the notes to the financial statements. The amount of that difference shall be written off by a reasonable amount each year and completely written off no later than at the time of repayment of the debt.

11 Intangible assets shall be written off over the useful economic life of the intangible asset.

In exceptional cases where the useful life of goodwill and development costs cannot be reliably estimated, such assets shall be written off within a maximum period set by the Member State. That maximum period shall not be shorter than five years and shall not exceed 10 years. An explanation of the period over which goodwill is written off shall be provided within the notes to the financial statements.

Where national law authorises the inclusion of costs of development under 'Assets' and the costs of development have not been completely written off, Member States shall require that no distribution of profits take place unless the amount of the reserves available for distribution and profits brought forward is at least equal to that of the costs not written off.

Where national law authorises the inclusion of formation expenses under 'Assets', they shall be written off within a period of maximum five years. In that case, Member States shall require that the third subparagraph apply mutatis mutandis to formation expenses.

In exceptional cases, the Member States may permit derogations from the third and fourth subparagraphs. Such derogations and the reasons therefor shall be disclosed in the notes to the financial statements.

12 Provisions shall cover liabilities the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

The Member States may also authorise the creation of provisions intended to cover expenses the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

At the balance sheet date, a provision shall represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability. Provisions shall not be used to adjust the values of assets.

ARTICLE 13
Presentation of the profit and loss account

1 For the presentation of the profit and loss account, Member States shall prescribe one or both of the layouts set out in Annexes V and VI. If a Member State prescribes both layouts, it may permit undertakings to choose which of the prescribed layouts to adopt.

2 By way of derogation from Article 4(1), Member States may permit or require all undertakings, or any classes of undertaking, to present a statement of their performance instead of the presentation of profit and loss items in accordance with Annexes V and VI, provided that the information given is at least equivalent to that otherwise required by Annexes V and VI.

ARTICLE 14
Simplifications for small and medium-sized undertakings

1 Member States may permit small undertakings to draw up abridged balance sheets showing only those items in Annexes III and IV preceded by letters and roman numerals, disclosing separately:

(a) the information required in brackets in D (II) under 'Assets' and C under 'Capital, reserves and liabilities' of Annex III, but in the aggregate for each; or

(b) the information required in brackets in D (II) of Annex IV.

2 Member States may permit small and medium-sized undertakings to draw up abridged profit and loss accounts within the following limits:

(a) in Annex V, items 1 to 5 may be combined under one item called 'Gross profit or loss';

(b) in Annex VI, items 1, 2, 3 and 6 may be combined under one item called 'Gross profit or loss'.

CHAPTER 4
NOTES TO THE FINANCIAL STATEMENTS

ARTICLE 15
General provisions concerning the notes to the financial statements

Where notes to the balance sheet and profit and loss account are presented in accordance with this Chapter, the notes shall be presented in the order in which items are presented in the balance sheet and in the profit and loss account.

ARTICLE 16
Content of the notes to the financial statements relating to all undertakings

1 In the notes to the financial statements all undertakings shall, in addition to the information required under other provisions of this Directive, disclose information in respect of the following:

(a) accounting policies adopted;

(b) where fixed assets are measured at revalued amounts, a table showing:

(i) movements in the revaluation reserve in the financial year, with an explanation of the tax treatment of items therein, and

(ii) the carrying amount in the balance sheet that would have been recognised had the fixed assets not been revalued;

(c) where financial instruments and/or assets other than financial instruments are measured at fair value:

(i) the significant assumptions underlying the valuation models and techniques where fair values have been determined in accordance with point (b) of Article 8(7),

(ii) for each category of financial instrument or asset other than financial instruments, the fair value, the changes in value included directly in the profit and loss account and changes included in fair value reserves,

(iii) for each class of derivative financial instrument, information about the extent and the nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows, and

(iv) a table showing movements in fair value reserves during the financial year;

(d) the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions and affiliated or associated undertakings shall be disclosed separately;

(e) the amount of advances and credits granted to members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid or written off or waived, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category;

(f) the amount and nature of individual items of income or expenditure which are of exceptional size or incidence;

(g) amounts owed by the undertaking becoming due and payable after more than five years, as well as the undertaking's entire debts covered by valuable security furnished by the undertaking, with an indication of the nature and form of the security; and

(h) the average number of employees during the financial year.

2 Member States may require mutatis mutandis that small undertakings are to disclose information as required in points (a), (m), (p), (q) and (r) of Article 17(1).

For the purposes of applying the first subparagraph, the information required in point (p) of Article 17(1) shall be limited to the nature and business purpose of the arrangements referred to in that point.

For the purposes of applying the first subparagraph, the disclosure of the information required in point (r) of Article 17(1) shall be limited to transactions entered into with the parties listed in the fourth subparagraph of that point.

3 Member States shall not require disclosure for small undertakings beyond what is required or permitted by this Article.

ARTICLE 17
Additional disclosures for medium-sized and large undertakings and public-interest entities

1 In the notes to the financial statements, medium-sized and large undertakings and public-interest entities shall, in addition to the information required under Article 16 and any other provisions of this Directive, disclose information in respect of the following matters:

(a) for the various fixed asset items:

(i) the purchase price or production cost or, where an alternative basis of measurement has been followed, the fair value or revalued amount at the beginning and end of the financial year,

(ii) additions, disposals and transfers during the financial year,

(iii) the accumulated value adjustments at the beginning and end of the financial year,

(iv) value adjustments charged during the financial year,

(v) movements in accumulated value adjustments in respect of additions, disposals and transfers during the financial year, and

(vi) where interest is capitalised in accordance with Article 12(8), the amount capitalised during the financial year.

(b) if fixed or current assets are the subject of value adjustments for taxation purposes alone, the amount of the adjustments and the reasons for making them;

(c) where financial instruments are measured at purchase price or production cost:

(i) for each class of derivative financial instrument:

— the fair value of the instruments, if such a value can be determined by any of the methods prescribed in point (a) of Article 8(7), and

— information about the extent and nature of the instruments,

(ii) for financial fixed assets carried at an amount in excess of their fair value:

— the book value and the fair value of either the individual assets or appropriate groupings of those individual assets, and

— the reasons for not reducing the book value, including the nature of the evidence underlying the assumption that the book value will be recovered;

(d) the amount of the emoluments granted in respect of, the financial year to the members of administrative, managerial and supervisory bodies by reason of their responsibilities and any commitments arising or entered into in respect of retirement pensions of former members of those bodies, with an indication of the total for each category of body.

Member States may waive the requirement to disclose such information where its disclosure would make it possible to identify the financial position of a specific member of such a body;

(e) the average number of employees during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between wages and salaries, social security costs and pension costs;

(f) where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year;

(g) the name and registered office of each of the undertakings in which the undertaking, either itself or through a person acting in his own name but on the undertaking's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet and is not controlled by the undertaking.

Member States may allow the information required to be disclosed by the first subparagraph of this point to take the form of a statement filed in accordance with Article 3(1) and (3) of Directive 2009/101/EC; the filing of such a statement shall be disclosed in the notes to the financial statements. Member States may also allow that information to be omitted when its nature is such that it would be seriously prejudicial to any of the undertakings to which it relates. Member States may make such omissions subject to prior administrative or judicial authorisation. Any such omission shall be disclosed in the notes to the financial statements;

(h) the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital, without prejudice as far as the amount of that capital is concerned to point (e) of Article 2 of Directive 2009/101/EC or to points (c) and (d) of Article 2 of Directive 2012/30/EU;

(i) where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting par value for each class;

(j) the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer;

(k) the name, the head or registered office and the legal form of each of the undertakings of which the undertaking is a member having unlimited liability;

(l) the name and registered office of the undertaking which draws up the consolidated financial statements of the largest body of undertakings of which the undertaking forms part as a subsidiary undertaking;

(m) the name and registered office of the undertaking which draws up the consolidated financial statements of the smallest body of undertakings of which the undertaking forms part as a subsidiary undertaking and which is also included in the body of undertakings referred to in point (l);

(n) the place where copies of the consolidated financial statements referred to in points (l) and (m) may be obtained, provided that they are available;

(o) the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss;

(p) the nature and business purpose of the undertaking's arrangements that are not included in the balance sheet and the financial impact on the undertaking of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the undertaking;

(q) the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet; and

(r) transactions which have been entered into with related parties by the undertaking, including the amount of such transactions, the nature of the related party relationship and other

information about the transactions necessary for an understanding of the financial position of the undertaking. Information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the undertaking.

Member States may permit or require that only transactions with related parties that have not been concluded under normal market conditions be disclosed.

Member States may permit that transactions entered into between one or more members of a group be not disclosed, provided that subsidiaries which are party to the transaction are wholly owned by such a member.

Member States may permit that a medium-sized undertaking limit the disclosure of transactions with related parties to transactions entered into with:

(i) owners holding a participating interest in the undertaking;

(ii) undertakings in which the undertaking itself has a participating interest; and

(iii) members of the administrative, management or supervisory bodies of the undertaking.

2 Member States shall not be required to apply point (g) of paragraph 1 to an undertaking which is a parent undertaking governed by their national laws in the following cases:

(a) where the undertaking in which that parent undertaking holds a participating interest for the purposes of point (g) of paragraph 1 is included in consolidated financial statements drawn up by that parent undertaking, or in the consolidated financial statements of a larger body of undertakings as referred to in Article 23(4);

(b) where that participating interest has been dealt with by that parent undertaking in its annual financial statements in accordance with Article 9(7), or in the consolidated financial statements drawn up by that parent undertaking in accordance with Article 27(1) to (8).

ARTICLE 18
Additional disclosures for large undertakings and public-interest entities

1 In the notes to the financial statements, large undertakings and public-interest entities shall, in addition to the information required under Articles 16 and 17 and any other provisions of this Directive, disclose information in respect of the following matters:

(a) the net turnover broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised; and

(b) the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, and the total fees charged by each statutory auditor or audit firm for other assurance services, for tax advisory services and for other non-audit services.

2 Member States may allow the information referred to in point (a) of paragraph 1 to be omitted where the disclosure of that information would be seriously prejudicial to the undertaking. Member States may make such omissions subject to prior administrative or judicial authorisation. Any such omission shall be disclosed in the notes to the financial statements.

3 Member States may provide that point (b) of paragraph 1 is not to apply to the annual financial statements of an undertaking where that undertaking is included within the consolidated financial

statements required to be drawn up under Article 22, provided that such information is given in the notes to the consolidated financial statements.

CHAPTER 5
MANAGEMENT REPORT

ARTICLE 19
Contents of the management report

1 The management report shall include a fair review of the development and performance of the undertaking's business and of its position, together with a description of the principal risks and uncertainties that it faces.

The review shall be a balanced and comprehensive analysis of the development and performance of the undertaking's business and of its position, consistent with the size and complexity of the business.

To the extent necessary for an understanding of the undertaking's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters. In providing the analysis, the management report shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

~~Large u~~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,~~ which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year shall report information on the key intangible resources and explain how the business model of the undertaking fundamentally depends on such resources and how such resources are a source of value creation for the undertaking.

2 The management report shall also give an indication of:

(a) the undertaking's likely future development;

(b) activities in the field of research and development;

(c) the information concerning acquisitions of own shares prescribed by Article 24(2) of Directive 2012/30/EU;

(d) the existence of branches of the undertaking; and

(e) in relation to the undertaking's use of financial instruments and where material for the assessment of its assets, liabilities, financial position and profit or loss:

(i) the undertaking's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used; and

(ii) the undertaking's exposure to price risk, credit risk, liquidity risk and cash flow risk.

3 Member States may exempt small undertakings from the obligation to prepare management reports, provided that they require the information referred to in Article 24(2) of Directive 2012/30/EU concerning the acquisition by an undertaking of its own shares to be given in the notes to the financial statements.

4 Member States may exempt small and medium-sized undertakings from the obligation set out in the third subparagraph of paragraph 1 in so far as it relates to non-financial information.

ARTICLE 19a
Sustainability reporting ~~Non-financial statement~~

1 ~~Large u~~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 exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year~~ which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year shall include in their management report ~~a non-financial statement containing~~ information ~~to the extent~~ necessary ~~for an~~ to understand~~ing of~~ the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance~~,~~ and position. ~~and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:~~

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;

(**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[12], 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;

[12] 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).

(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 ~~pursued by the undertaking~~ in relation to ~~those~~ sustainability matters~~, including due diligence processes implemented~~;

~~(e) the outcome of those policies;~~

(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;

(g) a description of the principal risks ~~related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas,~~ 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;

(he) ~~non-financial key performance~~ indicators relevant to the ~~particular business~~ disclosures referred to in points (a) to (g).

~~Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so.~~

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 purposes of the third, fourth and fifth subparagraphs the following definitions apply:

(a) "reporting undertaking" means an undertaking required to report pursuant to paragraph 1 of this Article;

(b) "protected undertaking" means an undertaking which:

(i) does not exceed, on its balance sheet date, an average number of 1 000 employees during the preceding financial year; and

(ii) is in the value chain of a reporting undertaking;

(c) "voluntary standards" means the standards for voluntary use as referred to in Article 29ca.

Reporting undertakings may rely on a self-declaration from undertakings in their value chain to determine whether they are protected undertakings. Reporting undertakings shall not be required to take steps to verify the information contained in such a self-declaration. However, they shall not rely on the self-declaration where they know, or can reasonably be expected to know, that the declaration is manifestly incorrect.

Protected undertakings shall have the right to decline to provide information exceeding the information specified in the voluntary standards in response to a request made for the purpose of sustainability reporting as required by this Directive. Furthermore:

(a) when establishing contractual and other arrangements for the purpose of meeting the sustainability reporting requirements of this Directive, reporting undertakings shall not require protected undertakings to provide information exceeding the information specified in the voluntary standards;

(b) any contractual provision contrary to point (a) shall not be binding, without however affecting the binding nature of the remaining provisions of the contract;

(c) where a reporting undertaking requests information, directly or indirectly, from protected undertakings for the purpose of sustainability reporting as required by this Directive, and some or all of that information exceeds the information specified in the voluntary standards, that reporting undertaking shall ensure that protected undertakings are informed of the following:

(i) which information exceeds the information specified in the voluntary standards; and

(ii) protected undertakings' statutory right to decline to provide the information;

(d) reporting undertakings that report the necessary value chain information without reporting from protected undertakings any information that exceeds the information specified in the voluntary standards are deemed to have complied with the obligation to report value chain information set out in the first subparagraph.

Nothing in the fourth subparagraph:

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

(b) imposes or implies any obligation on any undertaking in the value chain to provide sustainability information.

For the first three years of being subject to sustainability reporting requirements in accordance with paragraph 1~~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[13]~~, 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. After that three-year transition period, the undertaking shall meet the

reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information, as appropriate.

~~The non-financial statement~~ Where applicable, the information referred to in ~~the first sub~~paragraphs 1 and 2 shall also~~, where appropriate, include~~ 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.

When reporting the information referred to in paragraphs 1 and 2, undertakings may omit the following information

~~Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted~~

(a) 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~~, information the disclosure of ~~such information~~ which would be seriously prejudicial to the commercial position of the undertaking, provided that the following conditions are met:

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

(ii) the undertaking has determined that it is impossible to disclose the information in a manner that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing its commercial position, for example on an aggregated basis;

(iii) the undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(iv) the undertaking reassesses at each reporting date whether the information may still be omitted;

(b) information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, which would qualify as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943 of the European Parliament and of the Council[13], provided that the following conditions are met:

(i) the undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(ii) the undertaking reassesses at each reporting date whether the information may still be omitted;

(c) classified information defined in Article 2, point (7), of Regulation (EU) 2023/2418 of the European Parliament and of the Council[14], provided that the following conditions are met:

~~[13] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).~~

[13] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJ L 157, 15.6.2016, p. 1, ELI: http://data.europa.eu/eli/dir/2016/943/oj).

[14] Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418, 26.10.2023, ELI: http://data.europa.eu/eli/reg/2023/2418/oj).

(i) the undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(ii) the undertaking reassesses at each reporting date whether the information may still be omitted;

(d) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legal acts or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that the following conditions are met:

(i) the undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

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

~~In requiring the disclosure of the information referred to in the first subparagraph, Member States shall provide that undertakings may rely on national, Union-based or international frameworks, and if they do so, undertakings shall specify which frameworks they have relied upon.~~

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.

~~**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[15] 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~~2 Undertakings that comply with the requirements ~~fulfilling the obligation~~ 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 ~~fulfilled the obligation relating to the analysis of non-financial information~~ complied with the requirement set out in the third subparagraph of Article 19(1).

~~9~~3 Provided that the conditions set out in the second subparagraph of this paragraph are met, ~~A~~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 ~~that~~ such undertaking and its subsidiary undertakings are included in the consolidated management report of a parent ~~or the separate report of another~~ undertaking, drawn up in accordance with Articles 29 and 29a ~~this Article~~. 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 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[15].

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

~~[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).~~

[15] 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).

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[16], 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.

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~~.

~~4 Where an undertaking prepares a separate report corresponding to the same financial year whether or not relying on national, Union-based or international frameworks and covering the information required for the non-financial statement as provided for in paragraph 1, Member States may exempt that undertaking from the obligation to prepare the non-financial statement laid down in paragraph 1, provided that such separate report:~~

~~(a) is published together with the management report in accordance with Article 30; or~~

~~(b) is made publicly available within a reasonable period of time, not exceeding six months after the balance sheet date, on the undertaking's website, and is referred to in the management report.~~

~~Paragraph 2 shall apply *mutatis mutandis* to undertakings preparing a separate report as referred to in the first subparagraph of this paragraph.~~

[16] 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).

~~5 Member States shall ensure that the statutory auditor or audit firm checks whether the non-financial statement referred to in paragraph 1 or the separate report referred to in paragraph 4 has been provided.~~

~~6 Member States may require that the information in the nonfinancial statement referred to in paragraph 1 or in the separate report referred to in paragraph 4 be verified by an independent assurance services provider.~~

ARTICLE 20
Corporate governance statement

1 Undertakings referred to in point (1)(a) of Article 2 shall include a corporate governance statement in their management report. That statement shall be included as a specific section of the management report and shall contain at least the following information:

(a) a reference to the following, where applicable:

(i) the corporate governance code to which the undertaking is subject,

(ii) the corporate governance code which the undertaking may have voluntarily decided to apply,

(iii) all relevant information about the corporate governance practices applied over and above the requirements of national law.

Where reference is made to a corporate governance code referred to in points (i) or (ii), the undertaking shall also indicate where the relevant texts are publicly available. Where reference is made to the information referred to in point (iii), the undertaking shall make details of its corporate governance practices publicly available;

(b) where an undertaking, in accordance with national law, departs from a corporate governance code referred to in points (a)(i) or (ii), an explanation by the undertaking as to which parts of the corporate governance code it departs from and the reasons for doing so; where the undertaking has decided not to refer to any provisions of a corporate governance code referred to in points (a)(i) or (ii), it shall explain its reasons for not doing so;

(c) a description of the main features of the undertaking's internal control and risk management systems in relation to the financial reporting process;

(d) the information required by points (c), (d), (f), (h) and (i) of Article 10(1) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids[17], where the undertaking is subject to that Directive;

(e) unless the information is already fully provided for in national law, a description of the operation of the shareholder meeting and its key powers and a description of shareholders' rights and how they can be exercised;

(f) the composition and operation of the administrative, management and supervisory bodies and their committees; and

(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, ~~for instance,~~ age, disabilities ~~gender~~ or educational and professional background~~s~~, the objectives of that diversity policy, how it has been implemented and the results in the

[17] OJ L 142, 30.4.2004, p. 12.

reporting period. If no such policy is applied, the statement shall contain an explanation as to why that ~~this~~ is the case.

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.

2 Member States may permit the information required by paragraph 1 of this Article to be set out in:

(a) a separate report published together with the management report in the manner set out in Article 30; or

(b) a document publicly available on the undertaking's website, to which reference is made in the management report.

That separate report or that document referred to in points (a) and (b) respectively, may cross-refer to the management report, where the information required by point (d) of paragraph 1 of this Article is made available in that management report.

3 The statutory auditor or audit firm shall express an opinion in accordance with the second subparagraph of Article 34(1) regarding information prepared under points (c) and (d) of paragraph 1 of this Article and shall check that the information referred to in points (a), (b), (e), (f) and (g) of paragraph 1 of this Article has been provided.

4 Member States may exempt undertakings referred to in paragraph 1 which have only issued securities other than shares admitted to trading on a regulated market within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC from the application of points (a), (b), (e), (f) and (g) of paragraph 1 of this Article, unless such undertakings have issued shares which are traded in a multilateral trading facility within the meaning of point (15) of Article 4(1) of Directive 2004/39/EC.

5 Notwithstanding Article 40, point (g) of paragraph 1 shall not apply to small and medium-sized undertakings.

CHAPTER 6
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS

ARTICLE 21
Scope of the consolidated financial statements and reports

For the purposes of this Chapter, a parent undertaking and all of its subsidiary undertakings shall be undertakings to be consolidated where the parent undertaking is an undertaking to which the coordination measures prescribed by this Directive apply by virtue of Article 1(1).

ARTICLE 22
The requirement to prepare consolidated financial statements

1 A Member State shall require any undertaking governed by its national law to draw up consolidated financial statements and a consolidated management report if that undertaking (a parent undertaking):

(a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking);

(b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking;

(c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions.

A Member State need not prescribe that a parent undertaking must be a shareholder in or member of its subsidiary undertaking. Those Member States the laws of which do not provide for such contracts or clauses shall not be required to apply this provision; or

(d) is a shareholder in or member of an undertaking, and:

(i) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated financial statements are drawn up, have been appointed solely as a result of the exercise of its voting rights; or

(ii) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders' or members' voting rights in that undertaking. The Member States may introduce more detailed provisions concerning the form and contents of such agreements.

Member States shall prescribe at least the arrangements referred to in point (ii). They may subject the application of point (i) to the requirement that the voting rights represent at least 20 % of the total.

However, point (i) shall not apply where a third party has the rights referred to in points (a), (b) or (c) with regard to that undertaking.

2 In addition to the cases mentioned in paragraph 1, Member States may require any undertaking governed by their national law to draw up consolidated financial statements and a consolidated management report if:

(a) that undertaking (a parent undertaking) has the power to exercise, or actually exercises, dominant influence or control over another undertaking (the subsidiary undertaking); or

(b) that undertaking (a parent undertaking) and another undertaking (the subsidiary undertaking) are managed on a unified basis by the parent undertaking.

3 For the purposes of points (a), (b) and (d) of paragraph 1, the voting rights and the rights of appointment and removal of any other subsidiary undertaking as well as those of any person acting in his own name but on behalf of the parent undertaking or of another subsidiary undertaking shall be added to those of the parent undertaking.

4 For the purposes of points (a), (b) and (d) of paragraph 1, the rights mentioned in paragraph 3 shall be reduced by the rights:

(a) attaching to shares held on behalf of a person who is neither the parent undertaking nor a subsidiary of that parent undertaking; or

(b) attaching to shares:

(i) held by way of security, provided that the rights in question are exercised in accordance with the instructions received, or

(ii) held in connection with the granting of loans as part of normal business activities, provided that the voting rights are exercised in the interests of the person providing the security.

5 For the purposes of points (a) and (d) of paragraph 1, the total of the shareholders' or members' voting rights in the subsidiary undertaking shall be reduced by the voting rights attaching to the shares held by that undertaking itself, by a subsidiary undertaking of that undertaking or by a person acting in his own name but on behalf of those undertakings.

6 Without prejudice to Article 23(9) a parent undertaking and all of its subsidiary undertakings shall be undertakings to be consolidated regardless of where the registered offices of such subsidiary undertakings are situated.

7 Without prejudice to this Article and Articles 21 and 23, a Member State may require any undertaking governed by its national law to draw up consolidated financial statements and a consolidated management report if:

(a) that undertaking and one or more other undertakings to which it is not related as described in paragraphs 1 or 2, are managed on a unified basis in accordance with:

(i) a contract concluded with that undertaking, or

(ii) the memorandum or articles of association of those other undertakings; or

(b) the administrative, management or supervisory bodies of that undertaking and of one or more other undertakings to which it is not related, as described in paragraphs 1 or 2, consist in the majority of the same persons in office during the financial year and until the consolidated financial statements are drawn up.

8 Where the Member State option referred to in paragraph 7 is exercised, the undertakings described in that paragraph and all of their subsidiary undertakings shall be consolidated, where one or more of those undertakings is established as one of the types of undertaking listed in Annex I or Annex II.

9 Paragraph 6 of this Article, Article 23(1), (2), (9) and (10) and Articles 24 to 29 shall apply to the consolidated financial statements and the consolidated management report referred to in paragraph 7 of this Article, subject to the following modifications:

(a) references to parent undertakings shall be understood to refer to all of the undertakings specified in paragraph 7 of this Article; and

(b) without prejudice to Article 24(3), the items 'capital', 'share premium account', 'revaluation reserve', 'reserves', 'profit or loss brought forward', and 'profit or loss for the financial year' to be included in the consolidated financial statements shall be the aggregate amounts attributable to each of the undertakings specified in paragraph 7 of this Article.

ARTICLE 23
Exemptions from consolidation

1 Small groups shall be exempted from the obligation to draw up consolidated financial statements and a consolidated management report, except where any affiliated undertaking is a public-interest entity.

2 Member States may exempt medium-sized groups from the obligation to draw up consolidated financial statements and a consolidated management report, except where any affiliated undertaking is a public-interest entity.

3 Notwithstanding paragraphs 1 and 2 of this Article, a Member State shall, in the following cases, exempt from the obligation to draw up consolidated financial statements and a consolidated management report any parent undertaking (the exempted undertaking) governed by its national law which is also a subsidiary undertaking, including a public-interest entity unless that public-interest entity falls under point (1)(a) of Article 2, the own parent undertaking of which is governed by the law of a Member State and:

(a) the parent undertaking of the exempted undertaking holds all of the shares in the exempted undertaking. The shares in the exempted undertaking held by members of its administrative, management or supervisory bodies pursuant to a legal obligation or an obligation in its memorandum or articles of association shall be ignored for this purpose; or

(b) the parent undertaking of the exempted undertaking holds 90 % or more of the shares in the exempted undertaking and the remaining shareholders in or members of the exempted undertaking have approved the exemption.

4 The exemptions referred to in paragraph 3 shall fulfil all of the following conditions:

(a) the exempted undertaking and, without prejudice to paragraph 9, all of its subsidiary undertakings are consolidated in the financial statements of a larger body of undertakings, the parent undertaking of which is governed by the law of a Member State;

(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;

(c) in relation to the exempted undertaking the following documents are published in the manner prescribed by the law of the Member State by which that exempted undertaking is governed, in accordance with Article 30:

(i) the consolidated financial statements referred to in point (a) and the consolidated management report referred to in point (b),

(ii) the audit report, and

(iii) where appropriate, the appendix referred to in paragraph 6.

That Member State may require that the documents referred to in points (i), (ii) and (iii) be published in its official language and that the translation be certified;

(d) the notes to the annual financial statements of the exempted under-taking disclose the following:

(i) the name and registered office of the parent undertaking that draws up the consolidated financial statements referred to in point (a), and

(ii) the exemption from the obligation to draw up consolidated financial statements and a consolidated management report.

5 In cases not covered by paragraph 3, a Member State may, without prejudice to paragraphs 1, 2 and 3 of this Article, exempt from the obligation to draw up consolidated financial statements and a consolidated management report any parent undertaking (the exempted undertaking) governed by its national law which is also a subsidiary undertaking, including a public-interest entity unless that public-interest entity falls under point (1)(a) of Article 2, the parent undertaking of which is governed by the law of a Member State, provided that all the conditions set out in paragraph 4 are fulfilled and provided further:

(a) that the shareholders in or members of the exempted undertaking who own a minimum proportion of the subscribed capital of that undertaking have not requested the preparation of consolidated financial statements at least six months before the end of the financial year;

(b) that the minimum proportion referred to in point (a) does not exceed the following limits:

(i) 10 % of the subscribed capital in the case of public limited liability companies and limited partnerships with share capital; and

(ii) 20 % of the subscribed capital in the case of undertakings of other types;

(c) that the Member State does not make the exemption subject to:

(i) the condition that the parent undertaking, which prepared the consolidated financial statements referred to in point (a) of paragraph 4, is governed by the national law of the Member State granting the exemption, or

(ii) conditions relating to the preparation and auditing of those financial statements.

6 A Member State may make the exemptions provided for in paragraphs 3 and 5 subject to the disclosure of additional information, in accordance with this Directive, in the consolidated financial statements referred to in point (a) of paragraph 4, or in an appendix thereto, if that information is required of undertakings governed by the national law of that Member State which are obliged to prepare consolidated financial statements and are in the same circumstances.

7 Paragraphs 3 to 6 shall apply without prejudice to Member State legislation on the drawing-up of consolidated financial statements or consolidated management reports in so far as those documents are required:

(a) for the information of employees or their representatives; or

(b) by an administrative or judicial authority for its own purposes.

8 Without prejudice to paragraphs 1, 2, 3 and 5 of this Article, a Member State which provides for exemptions under paragraphs 3 and 5 of this Article may also exempt from the obligation to draw up consolidated financial statements and a consolidated management report any parent undertaking (the exempted undertaking) governed by its national law which is also a subsidiary undertaking, including a public-interest entity unless that public-interest entity falls under point (1)(a) of Article 2, the parent undertaking of which is not governed by the law of a Member State, if all of the following conditions are fulfilled:

(a) the exempted undertaking and, without prejudice to paragraph 9, all of its subsidiary undertakings are consolidated in the financial statements of a larger body of undertakings;

(b) the consolidated financial statements referred to in point (a) and, where appropriate, the consolidated management report are drawn up:

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

(ii) in accordance with international accounting standards adopted pursuant to Regulation (EC) No 1606/2002,

(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

(iv) in a manner equivalent to international accounting standards as determined in accordance with Commission Regulation (EC) No 1569/2007 of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council[18];

(c) the consolidated financial statements referred to in point (a) have been audited by one or more statutory auditor(s) or audit firm(s) authorised to audit financial statements under the national law governing the undertaking which drew up those statements.

Points (c) and (d) of paragraph 4 and paragraphs 5, 6 and 7 shall apply.

9 An undertaking, including a public-interest entity, need not be included in consolidated financial statements where at least one of the following conditions is fulfilled:

(a) in extremely rare cases where the information necessary for the preparation of consolidated financial statements in accordance with this Directive cannot be obtained without disproportionate expense or undue delay;

(b) the shares of that undertaking are held exclusively with a view to their subsequent resale; or

(c) severe long-term restrictions substantially hinder:

(i) the parent undertaking in the exercise of its rights over the assets or management of that undertaking; or

(ii) the exercise of unified management of that undertaking where it is in one of the relationships defined in Article 22(7).

10 Without prejudice to point (b) of Article 6(1), Article 21 and paragraphs 1 and 2 of this Article, any parent undertaking, including a public-interest entity, shall be exempted from the obligation imposed in Article 22 if:

(a) it only has subsidiary undertakings which are immaterial, both individually and collectively; or

(b) all its subsidiary undertakings can be excluded from consolidation by virtue of paragraph 9 of this Article.

ARTICLE 24
The preparation of consolidated financial statements

1 Chapters 2 and 3 shall apply in respect of consolidated financial statements, taking into account the essential adjustments resulting from the particular characteristics of consolidated financial statements as compared to annual financial statements.

[18] OJ L 340, 22.12.2007, p. 66.

2 The assets and liabilities of undertakings included in a consolidation shall be incorporated in full in the consolidated balance sheet.

3 The book values of shares in the capital of undertakings included in a consolidation shall be set off against the proportion which they represent of the capital and reserves of those undertakings in accordance with the following:

(a) except in the case of shares in the capital of the parent undertaking held either by that undertaking itself or by another undertaking included in the consolidation, which shall be treated as own shares in accordance with Chapter 3, that set-off shall be effected on the basis of book values as they stand on the date on which those undertakings are included in a consolidation for the first time. Differences arising from that set-off shall, as far as possible, be entered directly against those items in the consolidated balance sheet which have values above or below their book values;

(b) a Member State may permit or require set-offs on the basis of the values of identifiable assets and liabilities as at the date of acquisition of the shares or, in the event of acquisition in two or more stages, as at the date on which the undertaking became a subsidiary;

(c) any difference remaining after the application of point (a) or resulting from the application of point (b) shall be shown as goodwill in the consolidated balance sheet;

(d) the methods used to calculate the value of goodwill and any significant changes in value in relation to the preceding financial year shall be explained in the notes to the financial statements;

(e) where the offsetting of positive and negative goodwill is authorised by a Member State, the notes to the financial statements shall include an analysis of the goodwill;

(f) negative goodwill may be transferred to the consolidated profit and loss account where such a treatment is in accordance with the principles set out in Chapter 2.

4 Where shares in subsidiary undertakings included in the consolidation are held by persons other than those undertakings, the amount attributable to those shares shall be shown separately in the consolidated balance sheet as non-controlling interests.

5 The income and expenditure of undertakings included in a consolidation shall be incorporated in full in the consolidated profit and loss account.

6 The amount of any profit or loss attributable to the shares referred to in paragraph 4 shall be shown separately in the consolidated profit and loss account as the profit or loss attributable to non-controlling interests.

7 Consolidated financial statements shall show the assets, liabilities, financial positions, profits or losses of the undertakings included in a consolidation as if they were a single undertaking. In particular, the following shall be eliminated from the consolidated financial statements:

(a) debts and claims between the undertakings;

(b) income and expenditure relating to transactions between the undertakings; and

(c) profits and losses resulting from transactions between the undertakings, where they are included in the book values of assets.

8 Consolidated financial statements shall be drawn up as at the same date as the annual financial statements of the parent undertaking.

A Member State may, however, permit or require consolidated financial statements to be drawn up as at another date in order to take account of the balance sheet dates of the largest number or the most important of the undertakings included in the consolidation, provided that:

(a) that fact shall be disclosed in the notes to the consolidated financial statements and reasons given;

(b) account shall be taken, or disclosure made, of important events concerning the assets and liabilities, the financial position and the profit or loss of an undertaking included in a consolidation which have occurred between that undertaking's balance sheet date and the consolidated balance sheet date; and

(c) where an undertaking's balance sheet date precedes or follows the consolidated balance sheet date by more than three months, that undertaking shall be consolidated on the basis of interim financial statements drawn up as at the consolidated balance sheet date.

9 If the composition of the undertakings included in a consolidation has changed significantly in the course of a financial year, the consolidated financial statements shall include information which makes the comparison of successive sets of consolidated financial statements meaningful. This obligation may be fulfilled by the preparation of an adjusted comparative balance sheet and an adjusted comparative profit and loss account.

10 Assets and liabilities included in consolidated financial statements shall be measured on a uniform basis and in accordance with Chapter 2.

11 An undertaking which draws up consolidated financial statements shall apply the same measurement bases as are applied in its annual financial statements. However, Member States may permit or require that other measurement bases in accordance with Chapter 2 be used in consolidated financial statements. Where use is made of this derogation, that fact shall be disclosed in the notes to the consolidated financial statements and reasons given.

12 Where assets and liabilities included in consolidated financial statements have been measured by undertakings included in the consolidation using bases differing from those used for the purposes of the consolidation, those assets and liabilities shall be re-measured in accordance with the bases used for the consolidation. Departures from this requirement shall be permitted in exceptional cases. Any such departures shall be disclosed in the notes to the consolidated financial statements and reasons given.

13 Deferred tax balances shall be recognised on consolidation provided that it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation.

14 Where assets included in consolidated financial statements have been the subject of value adjustments solely for tax purposes, they shall be incorporated in the consolidated financial statements only after those adjustments have been eliminated.

ARTICLE 25
Business combinations within a group

1 A Member State may permit or require the book values of shares held in the capital of an undertaking included in the consolidation to be set off against the corresponding percentage of capital only, provided that the undertakings in the business combination are ultimately controlled by the same party both before and after the business combination, and that control is not transitory.

2 Any difference arising under paragraph 1 shall be added to or deducted from consolidated reserves, as appropriate.

3 The application of the method described in paragraph 1, the resulting movement in reserves and the names and registered offices of the undertakings concerned shall be disclosed in the notes to the consolidated financial statements.

ARTICLE 26
Proportional consolidation

1 Where an undertaking included in a consolidation manages another undertaking jointly with one or more undertakings not included in that consolidation, Member States may permit or require the inclusion of that other undertaking in the consolidated financial statements in proportion to the rights in its capital held by the undertaking included in the consolidation.

2 Article 23(9) and (10) and Article 24 shall apply mutatis mutandis to the proportional consolidation referred to in paragraph 1 of this Article.

ARTICLE 27
Equity accounting of associated undertakings

1 Where an undertaking included in a consolidation has an associated undertaking, that associated undertaking shall be shown in the consolidated balance sheet as a separate item with an appropriate heading.

2 When this Article is applied for the first time to an associated undertaking, that associated undertaking shall be shown in the consolidated balance sheet either:

(a) at its book value calculated in accordance with the measurement rules laid down in Chapters 2 and 3. The difference between that value and the amount corresponding to the proportion of capital and reserves represented by the participating interest in that associated undertaking shall be disclosed separately in the consolidated balance sheet or in the notes to the consolidated financial statements. That difference shall be calculated as at the date on which that method is used for the first time; or

(b) at an amount corresponding to the proportion of the associated undertaking's capital and reserves represented by the participating interest in that associated undertaking. The difference between that amount and the book value calculated in accordance with the measurement rules laid down in Chapters 2 and 3 shall be disclosed separately in the consolidated balance sheet or in the notes to the consolidated financial statements. That difference shall be calculated as at the date on which that method is used for the first time.

A Member State may prescribe the application of one or other of the options provided for in points (a) and (b). In such cases, the consolidated balance sheet or the notes to the consolidated financial statements shall indicate which of those options has been used.

In addition, for the purposes of points (a) and (b), a Member State may permit or require the calculation of the difference as at the date of acquisition of the shares or, where they were acquired in two or more stages, as at the date on which the undertaking became an associated undertaking.

3 Where an associated undertaking's assets or liabilities have been valued by methods other than those used for consolidation in accordance with Article 24(11), they may, for the purpose of calculating the difference referred to in points (a) and (b) of paragraph 2, be revalued by the methods used for consolidation. Where such revaluation has not been carried out, that fact shall be disclosed in the notes to the consolidated financial statements. A Member State may require such revaluation.

4 The book value referred to in point (a) of paragraph 2, or the amount corresponding to the proportion of the associated undertaking's capital and reserves referred to in point (b) of paragraph 2, shall be increased or reduced by the amount of any variation which has taken place during the financial year in the proportion of the associated undertaking's capital and reserves represented by that

participating interest; it shall be reduced by the amount of the dividends relating to that participating interest.

5 In so far as the positive difference referred to in points (a) and (b) of paragraph 2 cannot be related to any category of assets or liabilities, it shall be treated in accordance with the rules applicable to the item 'goodwill' as set out in point (d) of Article 12(6), the first subparagraph of Article 12(11), point (c) of Article 24(3), and Annex III and Annex IV.

6 The proportion of the profit or loss of the associated undertakings attributable to the participating interests in such associated undertakings shall be shown in the consolidated profit and loss account as a separate item under an appropriate heading.

7 The eliminations referred to in Article 24(7) shall be effected in so far as the facts are known or can be ascertained.

8 Where an associated undertaking draws up consolidated financial statements, paragraphs 1 to 7 shall apply to the capital and reserves shown in such consolidated financial statements.

9 This Article need not be applied where the participating interest in the capital of the associated undertaking is not material.

ARTICLE 28
The notes to the consolidated financial statements

1 The notes to the consolidated financial statements shall set out the information required by Articles 16, 17 and 18, in addition to any other information required under other provisions of this Directive, in a way which facilitates the assessment of the financial position of the undertakings included in the consolidation taken as a whole, taking account of the essential adjustments resulting from the particular characteristics of consolidated financial statements as compared to annual financial statements, including the following:

(a) in disclosing transactions between related parties, transactions between related parties included in a consolidation that are eliminated on consolidation shall not be included;

(b) in disclosing the average number of employees employed during the financial year, there shall be separate disclosure of the average number of employees employed by undertakings that are proportionately consolidated; and

(c) in disclosing the amounts of emoluments and advances and credits granted to members of the administrative, managerial and supervisory bodies, only amounts granted by the parent undertaking and its subsidiary undertakings to members of the administrative, managerial and supervisory bodies of the parent undertaking shall be disclosed.

2 The notes to the consolidated financial statements shall, in addition to the information required under paragraph 1, set out the following information:

(a) in relation to undertakings included in the consolidation:

(i) the names and registered offices of those undertakings,

(ii) the proportion of the capital held in those undertakings, other than the parent undertaking, by the undertakings included in the consolidation or by persons acting in their own names but on behalf of those undertakings, and

(iii) information as to which of the conditions referred to in Article 22(1), (2) and (7) following the application of Article 22(3), (4) and (5) has formed the basis on which the consolidation has been carried out. That disclosure may, however, be

omitted where consolidation has been carried out on the basis of point (a) of Article 22(1) and where the proportion of the capital and the proportion of the voting rights held are the same.

The same information shall be given in respect of undertakings excluded from a consolidation on the grounds of immateriality pursuant to point (j) of Article 6(1) and Article 23(10), and an explanation shall be given for the exclusion of the undertakings referred to in Article 23(9);

(b) the names and registered offices of associated undertakings included in the consolidation as described in Article 27(1) and the proportion of their capital held by undertakings included in the consolidation or by persons acting in their own names but on behalf of those undertakings;

(c) the names and registered offices of undertakings proportionally consolidated under Article 26, the factors on which joint management of those undertakings is based, and the proportion of their capital held by the undertakings included in the consolidation or by persons acting in their own names but on behalf of those undertakings; and

(d) in relation to each of the undertakings, other than those referred to in points (a), (b) and (c), in which undertakings included in the consolidation, either themselves or through persons acting in their own names but on behalf of those undertakings, hold a participating interest:

(i) the name and registered office of those undertakings,

(ii) the proportion of the capital held,

(iii) the amount of the capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which financial statements have been adopted.

The information concerning capital and reserves and the profit or loss may also be omitted where the undertaking concerned does not publish its balance sheet.

3 Member States may allow the information required by points (a) to (d) of paragraph 2 to take the form of a statement filed in accordance with Article 3(3) of Directive 2009/101/EC. The filing of such a statement shall be disclosed in the notes to the consolidated financial statements. Member States may also allow that information to be omitted when its nature is such that its disclosure would be seriously prejudicial to any of the undertakings to which it relates. Member States may make such omissions subject to prior administrative or judicial authorisation. Any such omission shall be disclosed in the notes to the consolidated financial statements.

ARTICLE 29
The consolidated management report

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

2 The following adjustments to the information required by Articles 19 and 20 shall apply:

(a) in reporting details of own shares acquired, the consolidated management report shall indicate the number and nominal value or, in the absence of a nominal value, the accounting par value of all of the parent undertaking's shares held by that parent undertaking, by subsidiary undertakings of that parent undertaking or by a person acting in his own name

but on behalf of any of those undertakings. A Member State may permit or require the disclosure of those particulars in the notes to the consolidated financial statements;

(b) in reporting on internal control and risk management systems, the corporate governance statement shall refer to the main features of the internal controls and risk management systems for the undertakings included in the consolidation, taken as a whole.

3 Where a consolidated management report is required in addition to the management report, the two reports may be presented as a single report.

ARTICLE 29a
Consolidated sustainability reporting ~~non-financial statement~~

1 ~~Public-interest entities which are p~~Parent undertakings of a ~~large~~ group ~~as referred to in Article 3(7) exceeding on its balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year~~ which, on its balance sheet date, exceeds, on a consolidated basis, a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year shall include in the consolidated management report information necessary to understand the group's impacts on sustainability matters, and information necessary to understand how sustainability matters affect ~~a consolidated non-financial statement containing information to the extent necessary for an understanding of~~ the group's development, performance, and position ~~and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:~~.

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~~b~~**) a description of the group's policies in relation to sustainability matters ~~pursued by the group in relation to those matters, including due diligence processes implemented~~;

~~(**c**) the outcome of those policies;~~

(**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;

(**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~~d~~**) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on those matters ~~related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas~~, and how the group manages those risks;

(**he**) ~~non-financial key performance~~ indicators relevant to the disclosures referred to in points (a) to (gd) ~~particular business~~.

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.

~~Where the group does not pursue policies in relation to one or more of those matters, the consolidated non-financial statement shall provide a clear and reasoned explanation for not doing so.~~

~~The consolidated non-financial statement referred to in the first subparagraph shall also, where appropriate, include references to, and additional explanations of, amounts reported in the consolidated financial statements.~~

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 purposes of the third, fourth and fifth subparagraphs, the following definitions apply:

(a) "reporting undertaking" means an undertaking required to report pursuant to paragraph 1 of this Article;

(b) "protected undertaking" means an undertaking which:

(i) does not exceed, on its balance sheet date, an average number of 1 000 employees during the preceding financial year; and

(ii) is in the value chain of a reporting undertaking;

(c) "voluntary standards" means the standards for voluntary use as referred to in Article 29ca.

Reporting undertakings may rely on a self-declaration from undertakings in their value chain to determine whether they are protected undertakings. Reporting undertakings shall not be required to take steps to verify the information contained in such a self-declaration. However, they shall not rely on the self-declaration where they know, or can reasonably be expected to know, that the declaration is manifestly incorrect.

Protected undertakings have the right to decline to provide information exceeding the information specified in the voluntary standards in response to a request made for the purpose of sustainability reporting as required by this Directive. Furthermore:

(a) when establishing contractual and other arrangements for the purpose of meeting the sustainability reporting requirements of this Directive, reporting undertakings shall not require protected undertakings to provide information exceeding the information specified in the voluntary standards;

(b) any contractual provision contrary to point (a) shall not be binding, without however affecting the binding nature of the remaining provisions of the contract;

(c) where a reporting undertaking requests information, directly or indirectly, from protected undertakings for the purpose of sustainability reporting as required by this Directive, and some or all of that information exceeds the information specified in the voluntary standards, that reporting undertaking shall ensure that protected undertakings are informed of the following:

(i) which information exceeds the information specified in the voluntary standards; and

(ii) protected undertakings' statutory right to decline to provide the information;

(d) reporting undertakings that report the necessary value chain information without reporting from protected undertakings any information that exceeds the information specified in the voluntary standards are deemed to have complied with the obligation to report value chain information set out in the first subparagraph.

Nothing in the fourth subparagraph:

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

(b) imposes or implies any obligation on any undertaking in the value chain to provide sustainability information.

For the first three years of ~~the application of the measures to be adopted by the Member~~ States being subject to sustainability reporting requirements in accordance with ~~Article 5(2) of Directive (EU) 2022/2464~~ paragraph 1, 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. After that three-year transition period, the parent undertaking shall meet the reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information, as appropriate.

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.

When reporting the information referred to in paragraphs 1 and 2, parent undertakings may omit the following information:

~~Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted~~

(a) 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~~, information the disclosure of ~~such information~~ which would be seriously prejudicial to the commercial position of the group, provided that the following conditions are met:

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

(ii) the parent undertaking has determined that it is impossible to disclose the information in a manner that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing the group's commercial position, for example on an aggregated basis;

(iii) the parent undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(iv) the parent undertaking reassesses at each reporting date whether the information may still be omitted;

(b) information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, which would qualify as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943, provided that the following conditions are met:

(i) the parent undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(ii) the parent undertaking reassesses at each reporting date whether the information may still be omitted;

(c) classified information defined in Article 2, point (7), of Regulation (EU) 2023/2418, provided that the following conditions are met:

(i) the parent undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

(ii) the parent undertaking reassesses at each reporting date whether the information may still be omitted;

(d) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legal acts or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that the following conditions are met:

(i) the parent undertaking discloses the fact that it has used the exemption laid down in this subparagraph; and

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

~~In requiring the disclosure of the information referred to in the first subparagraph, Member States shall provide that the parent undertaking may rely on national, Union-based or international frameworks, and if it does so, the parent undertaking shall specify which frameworks it has relied upon.~~

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.

4a By way of derogation from paragraph 1 of this Article, in cases where the composition of the group has changed during the financial year due to acquisitions or mergers of undertakings, the parent undertaking may decide not to include in the consolidated management report related to that financial year the information referred to in paragraph 1 of this Article regarding undertakings subject to an acquisition or a merger.

By way of derogation from paragraph 1 of this Article, the parent undertaking may decide not to include in the consolidated management report the information referred to in paragraph 1 of this Article regarding any subsidiary undertaking that leaves the group during the financial year.

A parent undertaking exercising the options referred to in the first or second subparagraph shall indicate any significant event that affected the subsidiary undertaking during the financial year and that has an effect on the group's impacts on, or risks or opportunities related to, sustainability matters.

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~~2~~ A parent undertaking that complies with the requirements ~~fulfilling the obligation~~ set out in paragraphs 1 to 5 of this Article shall be deemed to have complied with the requirements ~~fulfilled the obligation relating to the analysis of non-financial information~~ set out in the third subparagraph of Article 19(1) and ~~in~~ Article 19a~~29~~.

7a By way of derogation from paragraph 1, Member States shall ensure that parent undertakings that are financial holding undertakings whose subsidiary undertakings' business models and operations are independent of one another may choose not to include in their consolidated management report the information referred to in paragraph 1.

~~8~~3 Provided that the conditions set out in the second subparagraph of this paragraph are met, ~~A~~a parent undertaking which is ~~also~~ 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 ~~that exempted~~ parent 'undertaking and its subsidiary ~~subsidiaries~~ undertakings are included in the consolidated management report ~~or the separate 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;

(**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.

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.

~~4 Where a parent undertaking prepares a separate report corresponding to the same financial year, referring to the whole group, whether or not relying on national, Union-based or international frameworks and covering the information required for the consolidated non-financial statement as provided for in paragraph 1, Member States may exempt that parent undertaking from the obligation to prepare the consolidated non-financial statement laid down in paragraph 1, provided that such separate report:~~

~~(a) is published together with the consolidated management report in accordance with Article 30; or~~

~~(b) is made publicly available within a reasonable period of time, not exceeding six months after the balance sheet date, on the parent undertaking's website, and is referred to in the consolidated management report.~~

~~Paragraph 2 shall apply *mutatis mutandis* to parent undertakings preparing a separate report as referred to in the first subparagraph of this paragraph.~~

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~~.

~~5 Member States shall ensure that the statutory auditor or audit firm checks whether the consolidated non-financial statement referred to in paragraph 1 or the separate report referred to in paragraph 4 has been provided.~~

~~6 Member States may require that the information in the consolidated non-financial statement referred to in paragraph 1 or in the separate report referred to in paragraph 4 be verified by an independent assurance services provider.~~

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 20262024, specify:~~

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

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

~~The Commission shall endeavour to adopt delegated acts containing eight of the sustainability reporting standards referred to in the third subparagraph, point (ii), as soon as each is ready.~~

The 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 or financial 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, and by ensuring as much coherence as possible with requirements in other Union legal acts. The sustainability reporting standards shall, to the extent possible, prioritise the disclosure of quantitative information, taking account of the burden on undertakings and the needs of users.

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;

(**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;

(**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~~from undertakings in their value chain which, on their balance sheet dates, do not exceed an average number of 1 000 employees during the financial year any information that exceeds the information to be disclosed pursuant to the sustainability reporting standards for ~~small and medium-sized undertakings~~voluntary use referred to in Article 29ca.

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;

(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[19], (EU) 2020/1817[20] and (EU) 2020/1818[21];

(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[22];

[19] 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).
[20] 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).
[21] 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).
[22] 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).

(**g**) Directive 2003/87/EC of the European Parliament and of the Council[23];

(**h**) Regulation (EU) 2021/1119;

(**i**) Regulation (EC) No 1221/2009 of the European Parliament and of the Council[24];

(**j**) Directive (EU) 2019/1937 of the European Parliament and of the Council[25].

ARTICLE 29ca

Sustainability reporting standards for ~~small and medium-sized undertakings~~voluntary use

1 In order to facilitate voluntary reporting of sustainability information by undertakings which, on their balance sheet date, do not exceed an average number of 1 000 employees during the preceding financial year, and to limit the information that may be required for the purposes of this Directive from such undertakings in the value chain, the Commission shall be empowered to establish, by means of delegated acts in accordance with Article 49, sustainability reporting standards for voluntary use by 19 July 2026.

2 Without prejudice to paragraph 3 of this Article, the sustainability reporting standards for voluntary use referred to in paragraph 1 of this Article shall be based on Commission Recommendation (EU) 2025/1710[26], in its original version. They shall also be proportionate to, and relevant for, the capacities and the characteristics of the undertakings for which they are designed and to the scale and complexity of their activities. The sustainability reporting standards for voluntary use shall also, to the extent possible, specify the structure to be used to present such sustainability information.

3 The Commission shall, at least every four years after the date of their application, review the sustainability reporting standards for voluntary use referred to in paragraph 1 and, where necessary, it shall amend them to take into account developments relevant to sustainability reporting.

4 When reviewing the sustainability reporting standards for voluntary use pursuant to paragraph 3, the Commission shall take into consideration technical advice from EFRAG.

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

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

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

~~**3** The Commission shall, at least every three years after their date of application, review the delegated acts adopted pursuant to this Article, taking into consideration the technical advice of the EFRAG~~

[23] 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).

[24] 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).

[25] 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).

[26] Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings (OJ L, 2025/1710, 5.8.2025, ELI: http://data.europa.eu/eli/reco/2025/1710/oj).

~~and, where necessary, it shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards.~~

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[27] 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. Until such rules on the marking-up are adopted by way of that Delegated Regulation, undertakings shall not be required to mark up their sustainability reporting.

2 Parent undertakings subject to the requirements of Article 29a shall prepare their consolidated management report in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815 and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in that Delegated Regulation. Until such rules on the marking-up are adopted by way of that Delegated Regulation, parent undertakings shall not be required to mark up their sustainability reporting.

CHAPTER 6c
DIGITAL SUPPORT MEASURES

ARTICLE 29e
Digital portal for sustainability reporting

The Commission shall provide for a dedicated portal through which undertakings can access information, guidance and support, including relevant templates, with regard to the mandatory and voluntary sustainability reporting framework referred to in this Directive. The portal shall be interconnected with online support measures provided by Member States, where available, to take account of national context.

ARTICLE 29f
Report on technological solutions for sustainability reporting

The Commission shall, by 19 March 2028, submit a report to the European Parliament and the Council on technological solutions for sustainability reporting, which includes initiatives that will enable undertakings to collect, process and exchange data in a secure, seamless and automated manner.

CHAPTER 7
PUBLICATION

ARTICLE 30
General publication requirement

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

[27] 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, ELI: http://data.europa.eu/eli/reg_del/2019/815/oj).

each Member State in accordance with Chapter ~~2~~ III of Title 1 of Directive ~~2009/101/EC~~ (EU) 2017/1132 of the European Parliament and of the Council[28].

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.

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.

2 Member States may exempt an undertaking referred to in Annex II to which the coordination measures prescribed by this Directive apply by virtue of point (b) of Article 1(1) from publishing its financial statements in accordance with Article 3 of Directive 2009/101/EC, provided that those financial statements are available to the public at its head office, in the following cases:

(a) all the members of the undertaking concerned that have unlimited liability are undertakings referred to in Annex I governed by the laws of Member States other than the Member State whose law governs that undertaking, and none of those undertakings publishes the financial statements of the undertaking concerned with its own financial statements;

(b) all the members of the undertaking concerned that have unlimited liability are undertakings which are not governed by the laws of a Member State but which have a legal form comparable to those referred to in Directive 2009/101/EC.

Copies of the financial statements shall be obtainable upon request. The price of such a copy may not exceed its administrative cost.

3 Paragraph 1 shall apply with respect to consolidated financial statements and consolidated management reports.

Where the undertaking drawing up the consolidated financial statements is established as one of the types of undertaking listed in Annex II and is not required by the national law of its Member State to publish the documents referred to in paragraph 1 in the same manner as prescribed in Article 3 of Directive 2009/101/EC, it shall, as a minimum, make those documents available to the public at its head office and a copy shall be provided upon request, the price of which shall not exceed its administrative cost.

ARTICLE 31
Simplifications for small and medium-sized undertakings

1 Member States may exempt small undertakings from the obligation to publish their profit and loss accounts and management reports.

2 Member States may permit medium-sized undertakings to publish:

[28] 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).

(a) abridged balance sheets showing only those items preceded by letters and roman numerals in Annexes III and IV and disclosing separately, either in the balance sheet or in the notes to the financial statements:

(i) C (I) (3), C (II) (1), (2), (3) and (4), C (III) (1), (2), (3) and (4), D (II) (2), (3) and (6) and D (III) (1) and (2) under 'Assets' and C, (1), (2), (6), (7) and (9) under 'Capital, reserves and liabilities' in Annex III,

(ii) C (I) (3), C (II) (1), (2), (3) and (4), C (III) (1), (2), (3) and (4), D (II) (2), (3) and (6), D (III) (1) and (2), F (1), (2), (6), (7) and (9) and (I) (1), (2), (6), (7) and (9) in Annex IV,

(iii) the information required as indicated in brackets in D (II) under 'Assets' and C under 'Capital, reserves and liabilities' in Annex III, in total for all the items concerned and separately for D (II) (2) and (3) under 'Assets' and C (1), (2), (6), (7) and (9) under 'Capital, reserves and liabilities',

(iv) the information required as indicated in brackets in D (II) in Annex IV, in total for all the items concerned, and separately for D (II) (2) and (3);

(b) abridged notes to their financial statements without the information required in points (f) and (j) of Article 17(1).

This paragraph shall be without prejudice to Article 30(1), in so far as that Article relates to the profit and loss account, the management report and the opinion of the statutory auditor or audit firm.

ARTICLE 32
Other publication requirements

1 Where the annual financial statements and the management report are published in full, they shall be reproduced in the form and text on the basis of which the statutory auditor or audit firm has drawn up his/her/its opinion. They shall be accompanied by the full text of the audit report.

2 If the annual financial statements are not published in full, the abridged version of those financial statements, which shall not be accompanied by the audit report, shall:

(a) indicate that the version published is abridged;

(b) refer to the register in which the financial statements have been filed in accordance with Article 3 of Directive 2009/101/EC or, where the financial statements have not yet been filed, disclose that fact;

(c) disclose whether an unqualified, qualified or adverse audit opinion was expressed by the statutory auditor or audit firm, or whether the statutory auditor or audit firm was unable to express an audit opinion;

(d) disclose whether the audit report included a reference to any matters to which the statutory auditor or audit firm drew attention by way of emphasis without qualifying the audit opinion.

ARTICLE 33
Responsibility and liability for drawing up and publishing the financial statements and the management report

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 the report referred to in Article 19a(4)~~; and

(b) the consolidated financial statements, the consolidated management report~~s~~, and the consolidated corporate governance statement when provided separately ~~and the report referred to in Article 19a(4),~~

~~are drawn up and published in accordance with the requirements of this Directive and, where applicable, with the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002~~.

By way of derogation from the first subparagraph of this paragraph, Member States may provide that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, do not have collective responsibility for ensuring that the management report, or consolidated management report, as applicable, is prepared in accordance with Article 29d.

2 Member States shall ensure that their laws, regulations and administrative provisions on liability, at least towards the undertaking, apply to the members of the administrative, management and supervisory bodies of the undertakings for breach of the duties referred to in paragraph 1.

ARTICLE 33a
Accessibility of information on the European single access point

1 From 10 January 2028, Member States shall ensure that, when making public the management report, consolidated management report, including for both reports the information required in Article 8 of Regulation (EU) 2020/852, as well as the annual financial statements, consolidated financial statements, audit report, assurance report, sustainability reports concerning third-country undertakings and related assurance opinion, the statement referred to in Article 40a(2), fourth subparagraph, of this Directive, the report on payments to governments, and the consolidated report on payments to governments referred to in Article 30, Article 40d and Article 45 of this Directive, the undertakings referred to in Articles 19a, 29a and 40a of this Directive submit those statements and reports at the same time to the collection body referred to in paragraph 4 of this Article for the purpose of making them accessible on the European single access point (ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council[29].

Member States shall ensure that the information complies with the following requirements:

(a) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859 or, where required by Union or national law, in a machine-readable format, as defined in Article 2, point (4), of that Regulation;

(b) be accompanied by the following metadata:

(i) all the names of the undertaking to which the information relates and, where the reporting undertaking is an exempted subsidiary undertaking as referred to in Article 29a(4), second subparagraph, the name of the parent undertaking that reports information at group level;

[29] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OL L, 2023/2859, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2859/oj).

(ii) the legal entity identifier of the undertaking and, where the reporting undertaking is an exempted subsidiary undertaking as referred to in Article 29a(4), second subparagraph, where available, the legal entity identifier of the parent undertaking that reports information at group level, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

(iii) the size of the undertaking by category, as specified pursuant to Article 7(4), point (d), of that Regulation;

(iv) the industry sector(s) of the economic activities of the undertaking, as specified pursuant to Article 7(4), point (e), of that Regulation;

(v) the type of information, as classified pursuant to Article 7(4), point (c), of that Regulation;

(vi) an indication of whether the information contains personal data.

2 Where an undertaking has submitted the information referred to in paragraph 1 of this Article to an Officially Appointed Mechanism pursuant to Article 23a of Directive 2004/109/EC in order to make that information accessible on ESAP, that undertaking shall be deemed to have fulfilled its obligations under paragraph 1 of this Article, provided that this information complies with all requirements on metadata set out in paragraph 1 of this Article.

3 For the purposes of paragraph 1, point (b)(ii), Member States shall ensure that undertakings obtain a legal entity identifier.

4 By 9 January 2028, for the purpose of making the information referred to in paragraph 1 of this Article accessible on ESAP, Member States shall designate at least one collection body as defined in Article 2, point (2), of Regulation (EU) 2023/2859 and notify ESMA thereof.

5 For the purpose of ensuring the efficient collection and management of information submitted in accordance with paragraph 1, the Commission shall be empowered to adopt implementing measures to specify:

(a) any other metadata to accompany the information;

(b) the structuring of data in the information;

(c) for which information a machine-readable format is required and, in such cases, which machine-readable format is to be used.

6 Where necessary, the Commission shall adopt guidelines to ensure that the metadata submitted in accordance with paragraph 5, point (a), are correct.

CHAPTER 8
AUDITING AND ASSURANCE OF SUSTAINABILITY REPORTING

ARTICLE 34
General requirement

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

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

(a) express an opinion on:

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

(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;

(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) state whether, in the light of the knowledge and understanding of the undertaking and its environment obtained in the course of the audit, he, she or it has identified material misstatements in the management report, and shall give an indication of the nature of any such misstatements.

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

2a Member States shall ensure that the opinion referred to in paragraph 1, second subparagraph, point (aa), is prepared in a manner that fully respects the right of the undertakings in the value chain which, on their balance sheet dates, do not exceed an average number of 1 000 employees during the preceding financial year to decline to provide to the reporting undertaking any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca.

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.~~This Article shall not apply to the non-financial statement referred to in Article 19a(1) and the consolidated non-financial statement referred to in Article 29a(1) or to the separate reports referred to in Articles 19a(4) and 29a(4).~~

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[30] 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;

[30] 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).

(e) appointment and dismissal;

(f) investigations and sanctions;

(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.

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.

ARTICLE 35
Amendment of Directive 2006/43/EC as regards the audit report

Article 28 of Directive 2006/43/EC is replaced by the following:

"**Article 28**

Audit reporting

1 The audit report shall include:

(a) an introduction which shall, as a minimum, identify the financial statements that are the subject of the statutory audit, together with the financial reporting framework that has been applied in their preparation;

(b) a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;

(c) an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor as to:

(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework, and,

(ii) where appropriate, whether the annual financial statements comply with statutory requirements.

If the statutory auditor is unable to express an audit opinion, the report shall contain a disclaimer of opinion;

(d) a reference to any matters to which the statutory auditor draws attention by way of emphasis without qualifying the audit opinion;

(e) the opinion and statement referred to in the second subparagraph of Article 34(1) of 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[31].

2 The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the 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 case the name(s) of the person(s) involved shall be known to the relevant competent authorities.

[31] OJ L 182, 29.6.2013, p. 19.

3 The audit report on the consolidated financial statements shall comply with the requirements set out in of paragraphs 1 and 2. In reporting on the consistency of the management report and the financial statements as required by point (e) of paragraph 1, the statutory auditor or audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the audit reports required by this Article may be combined.

CHAPTER 9
PROVISIONS CONCERNING EXEMPTIONS AND RESTRICTIONS ON EXEMPTIONS

ARTICLE 36
Exemptions for micro-undertakings

1 Member States may exempt micro-undertakings from any or all of the following obligations:

(a) the obligation to present 'Prepayments and accrued income' and 'Accruals and deferred income'. Where a Member State makes use of that option, it may permit those undertakings, only in respect of other charges as referred to in point (b)(vi) of paragraph 2 of this Article, to depart from point (d) of Article 6(1) with regard to the recognition of 'Prepayments and accrued income' and 'Accruals and deferred income', provided that this fact is disclosed in the notes to the financial statements or, in accordance with point (b) of this paragraph, at the foot of the balance sheet;

(b) the obligation to draw up notes to the financial statements in accordance with Article 16, provided that the information required by points (d) and (e) of Article 16(1) of this Directive and by Article 24(2) of Directive 2012/30/EU is disclosed at the foot of the balance sheet;

(c) the obligation to prepare a management report in accordance with Chapter 5, provided that the information required by Article 24(2) of Directive 2012/30/EU is disclosed in the notes to the financial statements or, in accordance with point (b) of this paragraph, at the foot of the balance sheet;

(d) the obligation to publish annual financial statements in accordance with Chapter 7 of this Directive, provided that the balance sheet information contained therein is duly filed, in accordance with national law, with at least one competent authority designated by the Member State concerned. Whenever the competent authority is not the central register, commercial register or companies register, as referred to in Article 3(1) of Directive 2009/101/EC, the competent authority is required to provide the register with the information filed.

2 Member States may permit micro-undertakings:

(a) to draw up only an abridged balance sheet showing separately at least those items preceded by letters in Annexes III or IV, where applicable. In cases where point (a) of paragraph 1 of this Article applies, items E under 'Assets' and D under 'Liabilities' in Annex III or items E and K in Annex IV shall be excluded from the balance sheet;

(b) to draw up only an abridged profit and loss account showing separately at least the following items, where applicable:

(i) net turnover,

(ii) other income,

(iii) cost of raw materials and consumables,

(iv) staff costs,

(v) value adjustments,

(vi) other charges,

(vii) tax,

(viii) profit or loss.

3 Member States shall not permit or require the application of Article 8 to any micro-undertaking making use of any of the exemptions provided for in paragraphs 1 and 2 of this Article.

4 In respect of micro-undertakings, annual financial statements drawn up in accordance with paragraphs 1, 2 and 3 of this Article shall be regarded as giving the true and fair view required by Article 4(3), and consequently Article 4(4) shall not apply to such financial statements.

5 If point (a) of paragraph 1 of this Article applies, the balance sheet total referred to in point (a) of Article 3(1)shall consist of the assets referred to in items A to D under 'Assets' in Annex III or items A to D in Annex IV.

6 Without prejudice to this Article, Member States shall ensure that micro-undertakings are otherwise regarded as small undertakings.

7 Member States shall not make available the derogations provided for in paragraphs 1, 2 and 3 in respect of investment undertakings or financial holding undertakings.

8 Member States which at 19 July 2013 have brought into force laws, regulations or administrative provisions in compliance with Directive 2012/6/EU of the European Parliament and of the Council of 14 March 2012 amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards microentities[32], may be exempted from the requirements set out in Article 3(9) with regard to the conversion into national currencies of thresholds set out in Article 3(1) when applying the first sentence of Article 53(1).

9 By 20 July 2018 the Commission shall submit to the European Parliament, to the Council and to the European Economic and Social Committee a report on the situation of micro-undertakings taking account, in particular, of the situation at national level regarding the number of undertakings covered by the size criteria and the reduction of administrative burdens resulting from the exemption from the publication requirement.

ARTICLE 37
Exemption for subsidiary undertakings

Notwithstanding the provisions of Directives 2009/101/EC and 2012/30/EU, a Member State shall not be required to apply the provisions of this Directive concerning the content, auditing and publication of the annual financial statements and the management report to undertakings governed by their national laws which are subsidiary undertakings, where the following conditions are fulfilled:

(1) the parent undertaking is subject to the laws of a Member State;

(2) all shareholders or members of the subsidiary undertaking have, in respect of each financial year in which the exemption is applied, declared their agreement to the exemption from such obligation;

(3) the parent undertaking has declared that it guarantees the commitments entered into by the subsidiary undertaking;

[32] OJ L 81, 21.3.2012, p. 3.

(4) the declarations referred to in points (2) and (3) of this Article are published by the subsidiary undertaking as laid down by the laws of the Member State in accordance with Chapter 2 of Directive 2009/101/EC;

(5) the subsidiary undertaking is included in the consolidated financial statements drawn up by the parent undertaking in accordance with this Directive;

(6) the exemption is disclosed in the notes to the consolidated financial statements drawn up by the parent undertaking; and

(7) the consolidated financial statements referred to in point (5) of this Article, the consolidated management report, and the audit report are published for the subsidiary undertaking as laid down by the laws of the Member State in accordance with Chapter 2 of Directive 2009/101/EC.

ARTICLE 38
Undertakings which are members having unlimited liability of other undertakings

1 Member States may require undertakings referred to in point (a) of Article 1(1) which are governed by their laws and which are members having unlimited liability of any undertaking referred to in point (b) of Article 1(1) ('the undertaking concerned'), to draw up, have audited and publish, with their own financial statements, the financial statements of the undertaking concerned in accordance with this Directive; in such case the requirements of this Directive shall not apply to the undertaking concerned.

2 Member States shall not be required to apply the requirements of this Directive to the undertaking concerned where:

(a) the financial statements of the undertaking concerned are drawn up, audited and published in accordance with the provisions of this Directive by an undertaking which:

(i) is a member having unlimited liability of that undertaking concerned, and

(ii) is governed by the laws of another Member State;

(b) the undertaking concerned is included in consolidated financial statements drawn up, audited and published in accordance with this Directive by:

(i) a member having unlimited liability, or

(ii) where the undertaking concerned is included in the consolidated financial statements of a larger body of undertakings drawn up, audited and published in conformity with this Directive, a parent undertaking governed by the laws of a Member State. This exemption shall be disclosed in the notes to the consolidated financial statements.

3 In the cases referred to in paragraph 2, the undertaking concerned shall, upon request, reveal the name of the undertaking publishing the financial statements.

ARTICLE 39
Profit and loss account exemption for parent undertakings preparing consolidated financial statements

A Member State shall not be required to apply the provisions of this Directive concerning the auditing and publication of the profit and loss account to undertakings governed by its national laws which are parent undertakings, provided that the following conditions are fulfilled:

(1) the parent undertaking draws up consolidated financial statements in accordance with this Directive and is included in those consolidated financial statements;

(2) the exemption is disclosed in the notes to the annual financial statements of the parent undertaking;

(3) the exemption is disclosed in the notes to the consolidated financial statements drawn up by the parent undertaking; and

(4) the profit or loss of the parent undertaking, determined in accordance with this Directive, is shown in its balance sheet.

ARTICLE 40
Restriction of exemptions for public-interest entities

Unless expressly provided for in this Directive, Member States shall not make the simplifications and exemptions set out in this Directive available to public-interest entities. A public-interest entity shall be treated as a large undertaking regardless of its net turnover, balance sheet total or average number of employees during the financial year.

CHAPTER 9a
REPORTING CONCERNING THIRD-COUNTRY UNDERTAKINGS

ARTICLE 40a
Sustainability reports concerning third-country undertakings

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

The first subparagraph shall only apply to ~~large~~ subsidiary undertakings ~~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~~ which, on their balance sheet dates, exceed a net turnover of EUR 200 000 000 in the preceding financial year.

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~~ exceeding EUR ~~40 million~~ 200 000 000 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 exceeding EUR 450 000 000 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.

By way of derogation from the first and third subparagraphs, where the third-country undertaking is a financial holding undertaking whose subsidiary undertakings' business models and operations are independent of one another, Member States shall ensure that the subsidiaries and the branches may decide not to publish and make accessible the sustainability report referred to in the first and third subparagraphs.

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.

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 2026~~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.

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.

CHAPTER 10
REPORT ON PAYMENTS TO GOVERNMENTS

ARTICLE 41
Definitions relating to reporting on payments to governments

For the purpose of this Chapter, the following definitions shall apply:

(1) "**undertaking active in the extractive industry**" means an undertaking with any activity involving the exploration, prospection, discovery, development, and extraction of minerals, oil, natural gas deposits or other materials, within the economic activities listed in Section B, Divisions 05 to 08 of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2[33];

(2) "**undertaking active in the logging of primary forests**" means an undertaking with activities as referred to in Section A, Division 02, Group 02.2 of Annex I to Regulation (EC) No 1893/2006, in primary forests;

(3) "**government**" means any national, regional or local authority of a Member State or of a third country. It includes a department, agency or undertaking controlled by that authority as laid down in Article 22(1) to (6) of this Directive;

[33] OJ L 393, 30.12.2006, p. 1.

(4) "**project**" means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. None the less, if multiple such agreements are substantially interconnected, this shall be considered a project;

(5) "**payment**" means an amount paid, whether in money or in kind, for activities, as described in points 1 and 2, of the following types:

(a) production entitlements;

(b) taxes levied on the income, production or profits of companies, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes;

(c) royalties;

(d) dividends;

(e) signature, discovery and production bonuses;

(f) licence fees, rental fees, entry fees and other considerations for licences and/or concessions; and

(g) payments for infrastructure improvements.

ARTICLE 42
Undertakings required to report on payments to governments

1 Member States shall require large undertakings and all public-interest entities active in the extractive industry or the logging of primary forests to prepare and make public a report on payments made to governments on an annual basis.

2 That obligation shall not apply to any undertaking governed by the law of a Member State which is a subsidiary or parent undertaking, where both of the following conditions are fulfilled:

(a) the parent undertaking is subject to the laws of a Member State; and

(b) the payments to governments made by the undertaking are included in the consolidated report on payments to governments drawn up by that parent undertaking in accordance with Article 44.

ARTICLE 43
Content of the report

1 Any payment, whether made as a single payment or as a series of related payments, need not be taken into account in the report if it is below EUR 100 000 within a financial year.

2 The report shall disclose the following information in relation to activities as described in points (1) and (2) of Article 41 in respect of the relevant financial year:

(a) the total amount of payments made to each government;

(a) the total amount per type of payment as specified in points (5)(a) to (g) of Article 41 made to each government;

(b) where those payments have been attributed to a specific project, the total amount per type of payment as specified in point (5)(a) to (g) of Article 41, made for each such project and the total amount of payments for each such project.

Payments made by the undertaking in respect of obligations imposed at entity level may be disclosed at the entity level rather than at project level.

3 Where payments in kind are made to a government, they shall be reported in value and, where applicable, in volume. Supporting notes shall be provided to explain how their value has been determined.

4 The disclosure of the payments referred to in this Article shall reflect the substance, rather than the form, of the payment or activity concerned. Payments and activities may not be artificially split or aggregated to avoid the application of this Directive.

5 In the case of those Member States which have not adopted the euro, the euro threshold identified in paragraph 1 shall be converted into national currency by:

(a) applying the exchange rate published in the Official Journal of the European Union as at the date of the entry into force of any Directive fixing that threshold, and

(b) rounding to the nearest hundred.

ARTICLE 44
Consolidated report on payments to governments

1 A Member State shall require any large undertaking or any public-interest entity active in the extractive industry or the logging of primary forests and governed by its national law to draw up a consolidated report on payments to governments in accordance with Articles 42 and 43 if that parent undertaking is under the obligation to prepare consolidated financial statements as laid down in Article 22(1) to (6).

A parent undertaking is considered to be active in the extractive industry or the logging of primary forests if any of its subsidiary undertakings are active in the extractive industry or the logging of primary forests.

The consolidated report shall only include payments resulting from extractive operations and/or operations relating to the logging of primary forests.

2 The obligation to draw up the consolidated report referred to in paragraph 1 shall not apply to:

(a) a parent undertaking of a small group, as defined in Article 3(5), except where any affiliated undertaking is a public-interest entity;

(b) a parent undertaking of a medium-sized group, as defined in Article 3(6), except where any affiliated undertaking is a public-interest entity; and

(c) a parent undertaking governed by the law of a Member State which is also a subsidiary undertaking, if its own parent undertaking is governed by the law of a Member State.

3 An undertaking, including a public-interest entity, need not be included in a consolidated report on payments to governments where at least one of the following conditions is fulfilled:

(a) severe long-term restrictions substantially hinder the parent under-taking in the exercise of its rights over the assets or management of that undertaking;

(b) extremely rare cases where the information necessary for the preparation of the consolidated report on payments to governments in accordance with this Directive cannot be obtained without disproportionate expense or undue delay;

(c) the shares of that undertaking are held exclusively with a view to their subsequent resale.

The above exemptions shall apply only if they are also used for the purposes of the consolidated financial statements.

ARTICLE 45
Publication

1 The report referred to in Article 42 and the consolidated report referred to in Article 44 on payments to governments shall be published as laid down by the laws of each Member State in accordance with Chapter 2 of Directive 2009/101/EC.

2 Member States shall ensure that the members of the responsible bodies of an undertaking, acting within the competences assigned to them by national law, have responsibility for ensuring that, to the best of their knowledge and ability, the report on payments to governments is drawn up and published in accordance with the requirements of this Directive.

ARTICLE 46
Equivalence criteria

1 Undertakings referred to in Articles 42 and 44 that prepare and make public a report complying with third-country reporting requirements assessed, in accordance with Article 47, as equivalent to the requirements of this Chapter are exempt from the requirements of this Chapter except for the obligation to publish this report as laid down by the laws of each Member State in accordance with Chapter 2 of Directive 2009/101/EC.

2 The Commission shall be empowered to adopt delegated acts in accordance with Article 49 identifying the criteria to be applied when assessing, for the purposes of paragraph 1 of this Article, the equivalence of third-country reporting requirements and the requirements of this Chapter.

3 The criteria identified by the Commission in accordance with paragraph 2 shall:

(a) include the following:

(i) target undertakings,

(ii) target recipients of payments,

(iii) payments captured,

(iv) attribution of payments captured,

(v) breakdown of payments captured,

(vi) triggers for reporting on a consolidated basis,

(vii) reporting medium,

(viii) frequency of reporting, and

(ix) anti-evasion measures;

(b) otherwise be limited to criteria which facilitate a direct comparison of third-country reporting requirements with the requirements of this Chapter.

ARTICLE 47
Application of equivalence criteria

The Commission shall be empowered to adopt implementing acts identifying those third-country reporting requirements which, after applying the equivalence criteria identified in accordance with Article 46, it considers equivalent to the requirements of this Chapter. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 50(2).

ARTICLE 48
Review

The Commission shall review and report on the implementation and effectiveness of this Chapter, in particular as regards the scope of, and compliance with, the reporting obligations and the modalities of the reporting on a project basis.

The review shall take into account international developments, in particular with regard to enhancing transparency of payments to governments, assess the impacts of other international regimes and consider the effects on competitiveness and security of energy supply. It shall be completed by 21 July 2018.

The report shall be submitted to the European Parliament and to the Council, together with a legislative proposal, if appropriate. That report shall consider the extension of the reporting requirements to additional industry sectors and whether the report on payments to governments should be audited. The report shall also consider the disclosure of additional information on the average number of employees, the use of subcontractors and any pecuniary penalties administered by a country.

The report shall also consider, taking into account developments in the OECD and the results of related European initiatives, the possibility of introducing an obligation requiring large undertakings to produce on an annual basis a country-by-country report for each Member State and third country in which they operate, containing information on, as a minimum, profits made, taxes paid on profits and public subsidies received.

In addition, the report shall analyse the feasibility of the introduction of an obligation for all Union issuers to carry out due diligence when sourcing minerals to ensure that supply chains have no connection to conflict parties and respect the EITI and OECD recommendations on responsible supply chain management.

CHAPTER 10a
REPORT ON INCOME TAX INFORMATION

ARTICLE 48a
Definitions relating to reporting on income tax information

1 For the purposes of this Chapter, the following definitions apply:

(1) "**ultimate parent undertaking**" means an undertaking which draws up the consolidated financial statements of the largest body of undertakings;

(2) "**consolidated financial statements**" means the financial statements prepared by a parent undertaking of a group, in which the assets, liabilities, equity, income and expenses are presented as those of a single economic entity;

(3) "**tax jurisdiction**" means a State or non-State jurisdiction which has fiscal autonomy in respect of corporate income tax;

(4) "**standalone undertaking**" means an undertaking which is not part of a group as defined in Article 2, point (11).

2 For the purposes of Article 48b of this Directive, "**revenue**" has the same meaning as:

(a) "**net turnover**", for undertakings governed by the law of a Member State that do not apply international accounting standards adopted on the basis of Regulation (EC) No 1606/2002; or

(b) "**revenue**" as defined by or within the meaning of the financial reporting framework on the basis of which the financial statements are prepared, for other undertakings.

ARTICLE 48b
Undertakings and branches required to report on income tax information

1 Member States shall require ultimate parent undertakings governed by their national laws, where the consolidated revenue on their balance sheet date exceeded for each of the last two consecutive financial years a total of EUR 750 000 000, as reflected in their consolidated financial statements, to draw up, publish and make accessible a report on income tax information as regards the latter of those two consecutive financial years.

Member States shall provide for an ultimate parent undertaking to no longer be subject to the reporting obligations set out in the first subparagraph where the total consolidated revenue on its balance sheet date falls below EUR 750 000 000 for each of the last two consecutive financial years as reflected in its consolidated financial statements.

Member States shall require standalone undertakings governed by their national laws, where the revenue on their balance sheet date exceeded for each of the last two consecutive financial years a total of EUR 750 000 000, as reflected in their annual financial statements, to draw up, publish and make accessible a report on income tax information as regards the latter of those two consecutive financial years.

Member States shall provide for a standalone undertaking to no longer be subject to the reporting obligations set out in the third subparagraph where the total revenue on its balance sheet date falls below EUR 750 000 000 for each of the last two consecutive financial years as reflected in its financial statements.

2 Member States shall provide that the rule set out in paragraph 1 does not apply to standalone undertakings or ultimate parent undertakings and their affiliated undertakings where such undertakings, including their branches, are established, or have their fixed places of business or permanent business activity, within the territory of a single Member State and no other tax jurisdiction.

3 Member States shall provide that the rule set out in paragraph 1 of this Article does not apply to standalone undertakings and ultimate parent undertakings where such undertakings or their affiliated undertakings disclose a report, in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council[34] that encompasses information on all of their activities and, in the case of ultimate parent undertakings, on all the activities of all the affiliated undertakings included in the consolidated financial statements.

4 Member States shall require medium-sized and large subsidiary undertakings as referred to in Article 3(3) and (4) that are governed by their national laws and controlled by an ultimate parent undertaking that is not governed by the law of a Member State, where the consolidated revenue on its balance sheet date exceeded for each of the last two consecutive financial years a total of EUR 750 000 000, as reflected in its consolidated financial statements, to publish and make accessible a report on income tax information concerning that ultimate parent undertaking as regards the latter of those two consecutive financial years.

[34] 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).

Where that information or report is not available, the subsidiary undertaking shall request its ultimate parent undertaking to provide it with all information required to enable it to meet its obligations under the first subparagraph. If the ultimate parent undertaking does not provide all the required information, the subsidiary undertaking shall draw up, publish and make accessible a report on income tax information containing all information in its possession, obtained or acquired, and a statement indicating that its ultimate parent undertaking did not make the necessary information available.

Member States shall provide for medium-sized and large subsidiary undertakings to no longer be subject to the reporting obligations set out in this paragraph where the total consolidated revenue of the ultimate parent undertaking on its balance sheet date falls below EUR 750 000 000 for each of the last two consecutive financial years as reflected in its consolidated financial statements.

5 Member States shall require branches opened in their territories by undertakings that are not governed by the law of a Member State to publish and make accessible a report on income tax information concerning the ultimate parent undertaking or the standalone undertaking referred to in the sixth subparagraph, point (a), as regards the latter of the last two consecutive financial years.

Where that information or report is not available, the person or persons designated to carry out the disclosure formalities referred to in Article 48e(2) shall request the ultimate parent undertaking or the standalone undertaking referred to in the sixth subparagraph, point (a), of this paragraph 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 branch shall draw up, publish and make accessible a report on income tax information, containing all information in its possession, obtained or acquired, and a statement indicating that the ultimate parent undertaking or the standalone undertaking did not make the necessary information available.

Member States shall provide for the reporting obligations set out in this paragraph to apply only to branches which have a net turnover that exceeded the threshold as transposed pursuant to Article 3(2) for each of the last two consecutive financial years.

Member States shall provide for a branch subject to the reporting obligations under this paragraph to no longer be subject to those obligations where its net turnover falls below the threshold as transposed pursuant to Article 3(2) for each of the last two consecutive financial years.

Member States shall provide that the rules set out in this paragraph apply to a branch only where the following criteria are met:

(a) the undertaking that opened the branch is either an affiliated undertaking of a group whose ultimate parent undertaking is not governed by the law of a Member State and the consolidated revenue of which on its balance sheet date exceeded for each of the last two consecutive financial years a total of EUR 750 000 000, as reflected in its consolidated financial statements, or a standalone undertaking the revenue of which on its balance sheet date exceeded for each of the last two consecutive financial years a total of EUR 750 000 000 as reflected in its financial statements; and

(b) the ultimate parent undertaking referred to in point (a) of this subparagraph does not have a medium-sized or large subsidiary undertaking as referred to in paragraph 4.

Member States shall provide for a branch to no longer be subject to the reporting obligations set out in this paragraph where the criterion provided for in point (a) ceases to be met for two consecutive financial years.

6 Member States shall not apply the rules set out in paragraphs 4 and 5 of this Article where a report on income tax information is drawn up by an ultimate parent undertaking or standalone undertaking

that is not governed by the law of a Member State, in a manner that is consistent with Article 48c, and meets the following criteria:

(a) it is made accessible to the public, free of charge and in an electronic reporting format which is machine-readable:

(i) on the website of that ultimate parent undertaking or of that standalone undertaking;

(ii) in at least one of the official languages of the Union;

(iii) no later than 12 months after the balance sheet date of the financial year for which the report is drawn up; and

(b) it identifies the name and the registered office of a single subsidiary undertaking, or the name and the address of a single branch governed by the law of a Member State, which has published a report in accordance with Article 48d(1).

7 Member States shall require subsidiary undertakings or branches not subject to the provisions of paragraphs 4 and 5 of this Article to publish and make accessible a report on income tax information where such subsidiary undertakings or branches serve no other objective than to circumvent the reporting requirements set out in this Chapter.

ARTICLE 48c
Content of the report on income tax information

1 The report on income tax information required under Article 48b shall include information relating to all the activities of the standalone undertaking or ultimate parent undertaking, including those of all affiliated undertakings consolidated in the financial statements in respect of the relevant financial year.

2 The information referred to in paragraph 1 shall consist of:

(a) the name of the ultimate parent undertaking or the standalone undertaking, the financial year concerned, the currency used for the presentation of the report and, where applicable, a list of all subsidiary undertakings consolidated in the financial statements of the ultimate parent undertaking, in respect of the relevant financial year, established in the Union or in tax jurisdictions included in Annexes I and II to the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes;

(b) a brief description of the nature of their activities;

(c) the number of employees on a full-time equivalent basis;

(d) revenues, which are to be calculated as:

(i) the sum of the net turnover, other operating income, income from participating interests, excluding dividends received from affiliated undertakings, income from other investments and loans forming part of the fixed assets, other interest receivable and similar income as listed in Annexes V and VI to this Directive; or

(ii) the income as defined by the financial reporting framework on the basis of which the financial statements are prepared, excluding value adjustments and dividends received from affiliated undertakings;

(e) the amount of profit or loss before income tax;

(f) the amount of income tax accrued during the relevant financial year, which is to be calculated as the current tax expense recognised on taxable profits or losses of the financial year by undertakings and branches in the relevant tax jurisdiction;

(g) the amount of income tax paid on a cash basis, which is to be calculated as the amount of income tax paid during the relevant financial year by undertakings and branches in the relevant tax jurisdiction; and

(h) the amount of accumulated earnings at the end of the relevant financial year.

For the purposes of point (d), the revenues shall include transactions with related parties.

For the purposes of point (f), the current tax expense shall relate only to the activities of an undertaking in the relevant financial year and shall not include deferred taxes or provisions for uncertain tax liabilities.

For the purposes of point (g), taxes paid shall include withholding taxes paid by other undertakings with respect to payments to undertakings and branches within a group.

For the purposes of point (h), the accumulated earnings shall mean the sum of the profits from past financial years and the relevant financial year, the distribution of which has not yet been decided upon. With regard to branches, accumulated earnings shall be those of the undertaking which opened the branch.

3 Member States shall permit the information listed in paragraph 2 of this Article to be reported on the basis of the reporting instructions referred to in Section III, Parts B and C, of Annex III to Council Directive 2011/16/EU[35].

4 The information referred to in paragraphs 2 and 3 of this Article shall be presented using a common template and electronic reporting formats which are machine-readable. The Commission shall, by means of implementing acts, lay down that common template and those electronic reporting formats. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 50(2).

5 The report on income tax information shall present the information referred to in paragraph 2 or 3 separately for each Member State. Where a Member State comprises several tax jurisdictions, the information shall be aggregated at Member State level.

The report on income tax information shall also present the information referred to in paragraph 2 or 3 of this Article separately for each tax jurisdiction which, on 1 March of the financial year for which the report is to be drawn up, is listed in Annex I to the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes, and shall provide such information separately for each tax jurisdiction which, on 1 March of the financial year for which the report is to be drawn up and on 1 March of the preceding financial year, was mentioned in Annex II to the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes.

The report on income tax information shall also present the information referred to in paragraph 2 or 3 on an aggregated basis for other tax jurisdictions.

The information shall be attributed to each relevant tax jurisdiction on the basis of establishment, the existence of a fixed place of business or of a permanent business activity which, given the activities of the group or standalone undertaking, can be subject to income tax in that tax jurisdiction.

Where the activities of several affiliated undertakings can be subject to income tax within a single tax jurisdiction, the information attributed to that tax jurisdiction shall represent the sum of the

[35] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L 64, 11.3.2011, p. 1).

information relating to such activities of each affiliated undertaking and their branches in that tax jurisdiction.

Information on any particular activity shall not be attributed simultaneously to more than one tax jurisdiction.

6 Member States may allow for one or more specific items of information otherwise required to be disclosed in accordance with paragraph 2 or 3 to be temporarily omitted from the report where their disclosure would be seriously prejudicial to the commercial position of the undertakings to which the report relates. Any omission shall be clearly indicated in the report together with a duly reasoned explanation regarding the reasons therefor.

Member States shall ensure that all information omitted pursuant to the first subparagraph is made public in a later report on income tax information, within no more than five years of the date of its original omission.

Member States shall ensure that information pertaining to tax jurisdictions included in Annexes I and II to the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes, as referred to in paragraph 5 of this Article, may never be omitted.

7 The report on income tax information may include, where applicable at group level, an overall narrative providing explanations for any material discrepancies between the amounts disclosed pursuant to paragraph 2, points (f) and (g), taking into account, if appropriate, corresponding amounts concerning previous financial years.

8 The currency used in the report on income tax information shall be the currency in which the consolidated financial statements of the ultimate parent undertaking or the annual financial statements of the standalone undertaking are presented. Member States shall not require this report to be published in a currency other than the currency used in the financial statements.

However, in the case mentioned in the second subparagraph of Article 48b(4), the currency used in the report on income tax information shall be the currency in which the subsidiary undertaking publishes its annual financial statements.

9 Member States that have not adopted the euro may convert the threshold of EUR 750 000 000 into their national currency. In making that conversion, those Member States shall apply the exchange rate as at 21 December 2021 published in the Official Journal of the European Union. Those Member States may increase or decrease the thresholds by up to 5 % in order to produce a round sum in the national currencies.

The thresholds referred to in Article 48b(4) and (5) shall be converted to an equivalent amount in the national currency of any relevant third countries by applying the exchange rate as at 21 December 2021, rounded off to the nearest thousand.

10 The report on income tax information shall specify whether it was prepared in accordance with paragraph 2 or 3 of this Article.

ARTICLE 48d
Publication and accessibility

1 The report on income tax information and the statement mentioned in Article 48b of this Directive shall be published 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 of the European Parliament and of the Council[36] and, where relevant, in accordance with Article 36 of Directive (EU) 2017/1132.

2 Member States shall ensure that the report on income tax information and 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:

(a) the undertaking, where Article 48b(1) applies;

(b) the subsidiary undertaking or an affiliated undertaking, where Article 48b(4) applies; or

(c) the branch or the undertaking which opened the branch, or an affiliated undertaking, where Article 48b(5) applies.

3 Member States may exempt undertakings from applying the rules set out in paragraph 2 of this Article where the report on income tax information published in accordance with paragraph 1 of this Article is simultaneously made accessible to the public in an electronic reporting format which is machine-readable, on the website of the register referred to in Article 16 of Directive (EU) 2017/1132, and free of charge to any third party located within the Union. The website of the undertakings and branches, as referred to in paragraph 2 of this Article, shall contain information on that exemption and a reference to the website of the relevant register.

4 The report referred to in Article 48b (1), (4), (5), (6) and (7) and, where applicable, the statement referred to in paragraphs 4 and 5 of that Article, shall remain accessible on the relevant website for a minimum of five consecutive years.

ARTICLE 48e
Responsibility for drawing up, publishing and making accessible the report on income tax information

1 Member States shall provide that the members of the administrative, management and supervisory bodies of the ultimate parent undertakings or the standalone undertakings referred to in Article 48b(1), acting within the competences assigned to them under national law, have collective responsibility for ensuring that the report on income tax information is drawn up, published and made accessible in accordance with Articles 48b, 48c and 48d.

2 Member States shall provide that the members of the administrative, management and supervisory bodies of the subsidiary undertakings referred to in Article 48b (4) of this Directive and the person or persons designated to carry out the disclosure formalities provided for in Article 41 of Directive (EU) 2017/1132 for the branches referred to in Article 48b (5) of this Directive, acting within the competences assigned to them by national law, have collective responsibility for ensuring, to the best of their knowledge and ability, that the report on income tax information is drawn up in a manner that is consistent with or in accordance with, as relevant, Articles 48b and 48c, and that it is published and made accessible in accordance with Article 48d.

ARTICLE 48f
Statement by statutory auditor

Member States shall require that, where the financial statements of an undertaking governed by the law of a Member State are required to be audited by one or more statutory auditors or audit firms, the audit report shall state whether, for the financial year preceding the financial year for which the financial statements under audit were prepared, the undertaking was required under Article 48b to publish a report on income tax information and, if so, whether the report was published in accordance with Article 48d.

[36] 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).

ARTICLE 48g
Commencement date for reporting on income tax information

Member States shall ensure that laws, regulations and administrative provisions transposing Articles 48a to 48f apply, at the latest, from the commencement date of the first financial year starting on or after 22 June 2024.

ARTICLE 48h
Review clause

By 22 June 2027, the Commission shall submit a report on compliance with, and the impact of, the reporting obligations set out in Articles 48a to 48f and, taking into account the situation at OECD level, the need to ensure that there is a sufficient level of transparency and the need to preserve and ensure a competitive environment for undertakings and private investment, it shall review and assess, in particular, whether it would be appropriate to extend the obligation to report on income tax information set out in Article 48b to large undertakings and large groups, as defined in Article 3(4) and (7) respectively, and to extend the content of the report on income tax information set out in Article 48c to include additional items. In that report, the Commission shall also assess the impact that presenting the tax information on an aggregated basis for third-country tax jurisdictions as provided for in Article 48c(5) and the temporary omission of information provided for in Article 48c(6) has on the effectiveness of this Directive.

The Commission shall submit the report to the European Parliament and to the Council, together, where appropriate, with a legislative proposal.

CHAPTER 11
TRANSITIONAL AND FINAL PROVISIONS

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.

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 0 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.

ARTICLE 49
Exercise of delegated powers

1 The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2 The power to adopt delegated acts referred to in Article 1(2), point (a) of Article 3(13), Articles 29b~~,~~ ~~29c~~ and 40b, and Article 46(2) shall be conferred on the Commission for a period of 5 years ~~an indeterminate period of time~~ from 5 January 2023 ~~the date referred to in Article 54~~. 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.

2a The power to adopt delegated acts referred to in points (b) and (c) of Article 3(13) and in Article 29ca shall be conferred on the Commission for an indeterminate period from 18 March 2026.

3 The delegation of power referred to in Article 1(2), Article 3(13), Articles 29b, 29c**a** and 40b, and Article 46(2) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of that decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

3a Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[37].

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

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

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

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

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

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

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

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

[37] OJ L 123, 12.5.2016, p. 1.

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 Article~~s~~ 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.

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

5 A delegated act adopted pursuant to Article 1(2), Article 3(13), Article~~s~~ 29b, 29c~~a~~ 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 50
Committee procedure

1 The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2 Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

ARTICLE 51
Penalties

Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive.

ARTICLE 52
Repeal of Directives 78/660/EEC and 83/349/EEC

Directives 78/660/EEC and 83/349/EEC are repealed.

References to the repealed Directives shall be construed as references to this Directive and shall be read in accordance with the correlation table in Annex VII.

ARTICLE 53
Transposition

1 Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 20 July 2015. They shall immediately inform the Commission thereof.

Member States may provide that the provisions referred to in the first subparagraph are first to apply to financial statements for financial years beginning on 1 January 2016 or during the calendar year 2016.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

2 Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

ARTICLE 54
Entry into force

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

ARTICLE 55
Addressees

This Directive is addressed to the Member States.

ANNEX I

TYPES OF UNDERTAKING REFERRED TO IN POINT (A) OF ARTICLE 1(1)

Belgium:

la société anonyme/de naamloze vennootschap, la société en commandite par actions/de commanditaire vennootschap op aandelen, la société privée à responsabilité limitée/de besloten vennootschap met beperkte aansprakelijkheid, la société coopérative à responsabilité limitée/de coöperatieve vennootschap met beperkte aansprakelijkheid;

Bulgaria:

акционерно дружество, дружество с ограничена отговорност, командитно дружество с акции;

the Czech Republic:

společnost s ručením omezeným, akciová společnost;

Denmark:

aktieselskaber, kommanditaktieselskaber, anpartsselskaber;

Germany:

die Aktiengesellschaft, die Kommanditgesellschaft auf Aktien, die Gesellschaft mit beschränkter Haftung;

Estonia:

aktsiaselts, osaühing;

Ireland:

public companies limited by shares or by guarantee, private companies limited by shares or by guarantee;

Greece:

η ανώνυμη εταιρία, η εταιρία περιορισμένης ευθύνης, η ετερόρρυθμη κατά μετοχές εταιρία;

Spain:

la sociedad anónima, la sociedad comanditaria por acciones, la sociedad de responsabilidad limitada;

France:

la société anonyme, la société en commandite par actions, la société à responsabilité limitée, la société par actions simplifiée;

In Croatia:

dioničko društvo, društvo s ograničenom odgovornošću;

Italy:

la società per azioni, la società in accomandita per azioni, la società a responsabilità limitata;

Cyprus:

Δημόσιες εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση, ιδιωτικές εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση;

Latvia:

akciju sabiedrība, sabiedrība ar ierobežotu atbildību;

Lithuania:

akcinės bendrovės, uždarosios akcinės bendrovės;

Luxembourg:

la société anonyme, la société en commandite par actions, la société à responsabilité limitée;

Hungary:

részvénytársaság, korlátolt felelősségű társaság;

Malta:

kumpanija pubblika —public limited liability company, kumpannija privata

private limited liability company,

soċjeta in akkomandita bil-kapital maqsum f'azzjonijiet —partnership en commandite with the capital divided into shares;

the Netherlands:

de naamloze vennootschap, de besloten vennootschap met beperkte aansprakelijkheid;

Austria:

die Aktiengesellschaft, die Gesellschaft mit beschränkter Haftung;

Poland:

spółka akcyjna, spółka z ograniczoną odpowiedzialnością, spółka komandytowo-akcyjna;

Portugal:

a sociedade anónima, de responsabilidade limitada, a sociedade em comandita por ações, a sociedade por quotas de responsabilidade limitada;

Romania:

societate pe acţiuni, societate cu răspundere limitată, societate în comandită pe acţiuni.

Slovenia:

delniška družba, družba z omejeno odgovornostjo, komanditna delniška družba;

Slovakia:

akciová spoločnosť, spoločnosť s ručením obmedzeným;

Finland:

yksityinen osakeyhtiö/privat aktiebolag, julkinen osakeyhtiö/publikt aktiebolag;

Sweden:

aktiebolag;

the United Kingdom:

public companies limited by shares or by guarantee, private companies limited by shares or by guarantee

ANNEX II

TYPES OF UNDERTAKING REFERRED TO IN POINT (b) OF ARTICLE 1(1)

Belgium

la société en nom collectif/de vennootschap onder firma, la société en commandite simple/de gewone commanditaire vennootschap, la société coopérative à responsabilité illimitée/de coöperatieve vennootschap met onbeperkte aansprakelijkheid;

Bulgaria:

събирателно дружество, командитно дружество;

the Czech Republic:

veřejná obchodní společnost, komanditní společnost;

Denmark:

interessentskaber, kommanditselskaber;

Germany:

die offene Handelsgesellschaft, die Kommanditgesellschaft;

Estonia:

täisühing, usaldusühing;

Ireland:

partnerships, limited partnerships, unlimited companies;

Greece:

η ομόρρυθμος εταιρία, η ετερόρρυθμος εταιρία;

Spain:

sociedad colectiva, sociedad en comandita simple;

France:

la société en nom collectif, la société en commandite simple;

In Croatia:

javno trgovačko društvo, komanditno društvo, gospodarsko interesno udruženje;

Italy:

la società in nome collettivo, la società in accomandita semplice;

Cyprus:

Ομόρρυθμες και ετερόρρυθμες εταιρείες (συνεταιρισμοί);

Latvia:

pilnsabiedrība, komandītsabiedrība;

Lithuania:

tikrosios ūkinės bendrijos, komanditinės ūkinės bendrijos;

Luxembourg:

la société en nom collectif, la société en commandite simple;

Hungary:

közkereseti társaság, betéti társaság, közös vállalat, egyesülés, egyéni cég;

Malta:

soċjeta f'isem kollettiv jew soċjeta in akkomandita, bil-kapital li mhux maqsum f'azzjonijiet meta s-soċji kollha li għandhom responsabbilita' llimitata huma soċjetajiet in akkomandita bil-kapital maqsum f'azzjonijiet — partnership en nom collectif or partnership en commandite with capital that is not divided into shares, when all the partners with unlimited liability are partnership en commandite with the capital divided into shares;

the Netherlands:

de vennootschap onder firma, de commanditaire vennootschap;

Austria:

die offene Gesellschaft, die Kommanditgesellschaft;

Poland:

spółka jawna, spółka komandytowa;

Portugal:

sociedade em nome colectivo, sociedade em comandita simples;

Romania:

societate în nume colectiv, societate în comandită simplă;

Slovenia:

družba z neomejeno odgovornostjo, komanditna družba;

Slovakia:

verejná obchodná spoločnosť, komanditná spoločnosť;

Finland:

avoin yhtiö/ öppet bolag, kommandiittiyhtiö/kommanditbolag;

Sweden:

handelsbolag, kommanditbolag;

the United Kingdom:

partnerships, limited partnerships, unlimited companies.

ANNEX III

HORIZONTAL LAYOUT OF THE BALANCE SHEET PROVIDED FOR IN ARTICLE 10

Assets

A. Subscribed capital unpaid

of which there has been called

(unless national law provides that called-up capital is to be shown under 'Capital and reserves', in which case the part of the capital called but not yet paid shall appear as an asset either under A or under D (II) (5)).

B. Formation expenses

as defined by national law, and in so far as national law permits their being shown as an asset. National law may also provide for formation expenses to be shown as the first item under 'Intangible assets'.

C. Fixed assets

I. Intangible assets

1. Costs of development, in so far as national law permits their being shown as assets.
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were:
   (a) acquired for valuable consideration and need not be shown under C (I) (3); or
   (b) created by the undertaking itself, in so far as national law permits their being shown as assets.
3. Goodwill, to the extent that it was acquired for valuable consideration.
4. Payments on account.

II. Tangible assets

1. Land and buildings.
2. Plant and machinery.
3. Other fixtures and fittings, tools and equipment.
4. Payments on account and tangible assets in the course of construction.

III. Financial assets

1. Shares in affiliated undertakings.
2. Loans to affiliated undertakings.
3. Participating interests.

4. Loans to undertakings with which the undertaking is linked by virtue of participating interests.

5. Investments held as fixed assets.

6. Other loans.

D. Current assets

I. Stocks

1. Raw materials and consumables.

2. Work in progress.

3. Finished goods and goods for resale.

4. Payments on account.

II. Debtors

(Amounts becoming due and payable after more than one year shall be shown separately for each item.)

1. Trade debtors.

2. Amounts owed by affiliated undertakings.

3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests.

4. Other debtors.

5. Subscribed capital called but not paid (unless national law provides that called-up capital is to be shown as an asset under A).

6. Prepayments and accrued income (unless national law provides that such items are to be shown as assets under E).

III. Investments

1. Shares in affiliated undertakings.

2. Own shares (with an indication of their nominal value or, in the absence of a nominal value, their accounting par value), to the extent that national law permits their being shown in the balance sheet.

3. Other investments.

IV. Cash at bank and in hand

E. Prepayments and accrued income

(Unless national law provides that such items are to be shown as assets under D (II) (6).)

Capital, reserves and liabilities

A. Capital and reserves

I. Subscribed capital

(Unless national law provides that called-up capital is to be shown under this item, in which case the amounts of subscribed capital and paid-up capital shall be shown separately.)

II. Share premium account

III. Revaluation reserve

IV. Reserves

1. Legal reserve, in so far as national law requires such a reserve.

2. Reserve for own shares, in so far as national law requires such a reserve, without prejudice to point (b) of Article 24(1) of Directive 2012/30/EU.

3. Reserves provided for by the articles of association.

4. Other reserves, including the fair value reserve.

V. Profit or loss brought forward

VI. Profit or loss for the financial year

B. Provisions

1. Provisions for pensions and similar obligations.

2. Provisions for taxation.

3. Other provisions.

C. Creditors

(Amounts becoming due and payable within one year and amounts becoming due and payable after more than one year shall be shown separately for each item and for the aggregate of those items.)

1. Debenture loans, showing convertible loans separately.

2. Amounts owed to credit institutions.

3. Payments received on account of orders, in so far as they are not shown separately as deductions from stocks.

4. Trade creditors.

5. Bills of exchange payable.

6. Amounts owed to affiliated undertakings.

7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests.

8. Other creditors, including tax and social security authorities.

9. Accruals and deferred income (unless national law provides that such items are to be shown under D).

D. Accruals and deferred income

(Unless national law provides that such items are to be shown under C (9) under ‘Creditors’.)

ANNEX IV

VERTICAL LAYOUT OF THE BALANCE SHEET PROVIDED FOR IN ARTICLE 10

A. Subscribed capital unpaid

of which there has been called

(unless national law provides that called-up capital is to be shown under L, in which case the part of the capital called but not yet paid must appear either under A or under D (II) (5).)

B. Formation expenses

as defined by national law, and in so far as national law permits their being shown as an asset. National law may also provide for formation expenses to be shown as the first item under 'Intangible assets'.

C. Fixed assets

I. Intangible assets

1. Costs of development, in so far as national law permits their being shown as assets.

2. Concessions, patents, licences, trade marks and similar rights and assets, if they were:

   (a) acquired for valuable consideration and need not be shown under C (I) (3); or

   (b) created by the undertaking itself, in so far as national law permits their being shown as assets.

3. Goodwill, to the extent that it was acquired for valuable consideration.

4. Payments on account.

II. Tangible assets

1. Land and buildings.

2. Plant and machinery.

3. Other fixtures and fittings, tools and equipment.

4. Payments on account and tangible assets in the course of construction.

III. Financial assets

1. Shares in affiliated undertakings.

2. Loans to affiliated undertakings.

3. Participating interests.

4. Loans to undertakings with which the undertaking is linked by virtue of participating interests.

5. Investments held as fixed assets.

6. Other loans.

D. Current assets

I. Stocks

1. Raw materials and consumables.

2. Work in progress.

3. Finished goods and goods for resale.

4. Payments on account.

II. Debtors

(Amounts becoming due and payable after more than one year must be shown separately for each item.)

1. Trade debtors.

2. Amounts owed by affiliated undertakings.

3. Amounts owed by undertakings with which the company is linked by virtue of participating interests.

4. Other debtors.

5. Subscribed capital called but not paid (unless national law provides that called-up capital is to be shown as an asset under A).

6. Prepayments and accrued income (unless national law provides that such items are to be shown as assets under E).

III. Investments

1. Shares in affiliated undertakings.

2. Own shares (with an indication of their nominal value or, in the absence of a nominal value, their accounting par value), to the extent that national law permits their being shown in the balance sheet.

3. Other investments.

IV. Cash at bank and in hand

E. Prepayments and accrued income

(Unless national law provides that such items are to be shown under D (II) (6).)

F. Creditors: amounts becoming due and payable within one year

1. Debenture loans, showing convertible loans separately.

2. Amounts owed to credit institutions.

3. Payments received on account of orders, in so far as they are not shown separately as deductions from stocks.

4. Trade creditors.

5. Bills of exchange payable.

6. Amounts owed to affiliated undertakings.

7. Amounts owed to undertakings with which the company is linked by virtue of participating interests.

8. Other creditors, including tax and social security authorities.

9. Accruals and deferred income (unless national law provides that such items are to be shown under K).

G. Net current assets/liabilities

(Taking into account prepayments and accrued income when shown under E and accruals and deferred income when shown under K.)

H. Total assets less current liabilities

I. Creditors: amounts becoming due and payable after more than one year

1. Debenture loans, showing convertible loans separately.

2. Amounts owed to credit institutions.

3. Payments received on account of orders, in so far as they are not shown separately as deductions from stocks.

4. Trade creditors.

5. Bills of exchange payable.

6. Amounts owed to affiliated undertakings.

7. Amounts owed to undertakings with which the company is linked by virtue of participating interests.

8. Other creditors, including tax and social security authorities.

9. Accruals and deferred income (unless national law provides that such items are to be shown under K).

J. Provisions

1. Provisions for pensions and similar obligations.

2. Provisions for taxation.

3. Other provisions.

K. Accruals and deferred income

(Unless national law provides that such items are to be shown under F (9) or I (9) or both.)

L. Capital and reserves

I. Subscribed capital

(Unless national law provides that called-up capital is to be shown under this item, in which case the amounts of subscribed capital and paid-up capital must be shown separately.)

II. Share premium account

III. Revaluation reserve

IV. Reserves

1. Legal reserve, in so far as national law requires such a reserve.

2. Reserve for own shares, in so far as national law requires such a reserve, without prejudice to point (b) of Article 24(1) of Directive 2012/30/EU.

3. Reserves provided for by the articles of association.

4. Other reserves, including the fair value reserve.

V. Profit or loss brought forward

VI. Profit or loss for the financial year

ANNEX V
LAYOUT OF THE PROFIT AND LOSS ACCOUNT – BY NATURE OF EXPENSE, PROVIDED FOR IN ARTICLE 13

1. Net turnover.

2. Variation in stocks of finished goods and in work in progress.

3. Work performed by the undertaking for its own purposes and capitalised.

4. Other operating income.

5. (a) Raw materials and consumables.

   (b) Other external expenses.

6. Staff costs:

   (a) wages and salaries;

   (b) social security costs, with a separate indication of those relating to pensions.

7. (a) Value adjustments in respect of formation expenses and of tangible and intangible fixed assets.

   (b) Value adjustments in respect of current assets, to the extent that they exceed the amount of value adjustments which are normal in the undertaking concerned.

8. Other operating expenses.

9. Income from participating interests, with a separate indication of that derived from affiliated undertakings.

10. Income from other investments and loans forming part of the fixed assets, with a separate indication of that derived from affiliated undertakings.

11. Other interest receivable and similar income, with a separate indication of that derived from affiliated undertakings.

12. Value adjustments in respect of financial assets and of investments held as current assets.

13. Interest payable and similar expenses, with a separate indication of amounts payable to affiliated undertakings.

14. Tax on profit or loss.

15. Profit or loss after taxation.

16. Other taxes not shown under items 1 to 15.

17. Profit or loss for the financial year.

ANNEX VI
LAYOUT OF THE PROFIT AND LOSS ACCOUNT – BY FUNCTION OF EXPENSE, PROVIDED FOR IN ARTICLE 13

1. Net turnover.

2. Cost of sales (including value adjustments).

3. Gross profit or loss.

4. Distribution costs (including value adjustments).

5. Administrative expenses (including value adjustments).

6. Other operating income.

7. Income from participating interests, with a separate indication of that derived from affiliated undertakings.

8. Income from other investments and loans forming part of the fixed assets, with a separate indication of that derived from affiliated undertakings.

9. Other interest receivable and similar income, with a separate indication of that derived from affiliated undertakings.

10. Value adjustments in respect of financial assets and of investments held as current assets.

11. Interest payable and similar expenses, with a separate indication of amounts payable to affiliated undertakings.

12. Tax on profit or loss.

13. Profit or loss after taxation.

14. Other taxes not shown under items 1 to 13.

15. Profit or loss for the financial year.

ANNEX VII
CORRELATION TABLE

Directive 78/660/EEC	Directive 83/349/EEC	This Directive
Article 1(1), first subparagraph, introductory wording	—	Article 1(1), point (a)
Article 1(1), first subparagraph, first to twenty seventh indents	—	Annex I
Article 1(1), second subparagraph	—	Article 1(1), point (b)
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Article 1(1), third subparagraph	—	—
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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 (the "Transparency Directive")

CHAPTER I
GENERAL PROVISIONS

ARTICLE 1
Subject matter and scope

1 This Directive establishes requirements in relation to the disclosure of periodic and ongoing information about issuers whose securities are already admitted to trading on a regulated market situated or operating within a Member State.

2 This Directive shall not apply to units issued by collective investment undertakings other than the closed-end type, or to units acquired or disposed of in such collective investment undertakings.

3 Member States may decide not to apply the provisions mentioned in Article 16(3) and in paragraphs 2, 3 and 4 of Article 18 to securities which are admitted to trading on a regulated market issued by them or their regional or local authorities.

4 Member States may decide not to apply Article 17 to their national central banks in their capacity as issuers of shares admitted to trading on a regulated market if this admission took place before 20 January 2005.

ARTICLE 2
Definitions

1 For the purposes of this Directive the following definitions shall apply:

(a) "**securities**" means transferable securities as defined in Article 4(1), point 18, of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments[1] with the exception of money-market instruments, as defined in Article 4(1), point 19, of that Directive having a maturity of less than 12 months, for which national legislation may be applicable;

(b) "**debt securities**" means bonds or other forms of transferable securitised debts, with the exception of securities which are equivalent to shares in companies or which, if converted or if the rights conferred by them are exercised, give rise to a right to acquire shares or securities equivalent to shares;

(c) "**regulated market**" means a market as defined in Article 4(1), point 14, of Directive 2004/39/EC;

(d) "**issuer**" means a natural person, or a legal entity governed by private or public law, including a State, whose securities are admitted to trading on a regulated market.

In the case of depository receipts admitted to trading on a regulated market, the issuer means the issuer of the securities represented, whether or not those securities are admitted to trading on a regulated market;

(e) "**shareholder**" means any natural person or legal entity governed by private or public law, who holds, directly or indirectly:

[1] OJ L 145, 30.4.2004, p. 1.

(i) shares of the issuer in its own name and on its own account;

(ii) shares of the issuer in its own name, but on behalf of another natural person or legal entity;

(iii) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying shares represented by the depository receipts;

(f) "**controlled undertaking**" means any undertaking

(i) in which a natural person or legal entity has a majority of the voting rights; or

(ii) of which a natural person or legal entity has the right to appoint or remove a majority of the members of the administrative, management or supervisory body and is at the same time a shareholder in, or member of, the undertaking in question; or

(iii) of which a natural person or legal entity is a shareholder or member and alone controls a majority of the shareholders' or members' voting rights, respectively, pursuant to an agreement entered into with other shareholders or members of the undertaking in question; or

(iv) over which a natural person or legal entity has the power to exercise, or actually exercises, dominant influence or control;

(g) "**collective investment undertaking other than the closed-end type**" means unit trusts and investment companies:

(i) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk spreading; and

(ii) the units of which are, at the request of the holder of such units, repurchased or redeemed, directly or indirectly, out of the assets of those undertakings;

(h) "**units of a collective investment undertaking**" means securities issued by a collective investment undertaking and representing rights of the participants in such an undertaking over its assets;

(i) "**home Member State**" means

(i) in the case of an issuer of debt securities the denomination per unit of which is less than EUR 1 000 or an issuer of shares:

— where the issuer is incorporated in the Union, the Member State in which it has its registered office,

— where the issuer is incorporated in a third country, the Member State chosen by the issuer from amongst the Member States where its securities are admitted to trading on a regulated market. The choice of home Member State shall remain valid unless the issuer has chosen a new home Member State under point (iii) and has disclosed the choice in accordance with the second paragraph of this point [letter] (i);

The definition of 'home' Member State shall be applicable to debt securities in a currency other than euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(ii) for any issuer not covered by point (i), the Member State chosen by the issuer from among the Member State in which the issuer has its registered office, where applicable, and those Member States where its securities are admitted to trading on a regulated market. The issuer may choose only one Member State as its home Member State. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any regulated market in the Union or unless the issuer becomes covered by points (i) or (iii) during the three-year period;

(iii) for an issuer whose securities are no longer admitted to trading on a regulated market in its home Member State as defined by the second indent of point (i) or (ii) but instead are admitted to trading in one or more other Member States, such new home Member State as the issuer may choose from amongst the Member States where its securities are admitted to trading on a regulated market and, where applicable, the Member State where the issuer has its registered office;

An issuer shall disclose its home Member State as referred to in points (i), (ii) or (iii) in accordance with Articles 20 and 21. In addition, an issuer shall disclose its home Member State to the competent authority of the Member State where it has its registered office, where applicable, to the competent authority of the home Member State and to the competent authorities of all host Member States.

In the absence of disclosure by the issuer of its home Member State as defined by the second indent of point (i) or (ii) within a period of three months from the date the issuers' securities are first admitted to trading on a regulated market, the home Member State shall be the Member State where the issuer's securities are admitted to trading on a regulated market. Where the issuer's securities are admitted to trading on regulated markets situated or operating within more than one Member State, those Member States shall be the issuer's home Member States until a subsequent choice of a single home Member State has been made and disclosed by the issuer.

For an issuer whose securities are already admitted to trading on a regulated market and whose choice of home Member State as referred to in the second indent of point (i) or in point (ii) has not been disclosed prior to 27 November 2015, the period of three months shall start on 27 November 2015.

An issuer that has made a choice of a home Member State as referred to in the second indent of point (i) or in point (ii) or (iii) and has communicated that choice to the competent authorities of the home Member State prior to 27 November 2015 shall be exempted from the requirement under the second paragraph of this point [letter] (i), unless such issuer chooses another home Member State after 27 November 2015.

(j) "**host Member State**" means a Member State in which securities are admitted to trading on a regulated market, if different from the home Member State;

(k) "**regulated information**" means all information which the issuer, or any other person who has applied for the admission of securities to trading on a regulated market without the issuer's consent, is required to disclose under this Directive, under Article 6 of Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)[2], or under the laws, regulations or administrative provisions of a Member State adopted under Article 3(1) of this Directive;

[2] OJ L 96, 12.4.2003, p. 16.

(l) "**electronic means**" are means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio, optical technologies, or any other electromagnetic means;

(m) "**management company**" means a company as defined in Article 1a(2) of Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)[3];

(n) "**market maker**" means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him;

(o) "**credit institution**" means an undertaking as defined in Article 1(1)(a) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions[4];

(p) "**securities issued in a continuous or repeated manner**" means debt securities of the same issuer on tap or at least two separate issues of securities of a similar type and/or class;

(q) "**formal agreement**" means an agreement which is binding under the applicable law;

(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.[5]

2 For the purposes of the definition of 'controlled undertaking' in paragraph 1(f)(ii), the holder's rights in relation to voting, appointment and removal shall include the rights of any other undertaking controlled by the shareholder and those of any natural person or legal entity acting, albeit in its own name, on behalf of the shareholder or of any other undertaking controlled by the shareholder.

2a Any reference to legal entities in this Directive shall be understood as including registered business associations without legal personality and trusts.

3 In order to take account of technical developments on financial markets, to specify the requirements and to ensure the uniform application of paragraph 1, the Commission shall adopt, in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures concerning the definitions set out in paragraph 1.

The Commission shall, in particular:

(a) establish, for the purposes of paragraph 1(i)(ii), the procedural arrangements in accordance with which an issuer may make the choice of the home Member State;

(b) adjust, where appropriate for the purposes of the choice of the home Member State referred to in paragraph 1(i)(ii), the three-year period in relation to the issuer's track record in the light of any new requirement under Community law concerning admission to trading on a regulated market; and

(c) establish, for the purposes of paragraph 1(l), an indicative list of means which are not to be considered as electronic means, thereby taking into account Annex V to Directive 98/34/EC

[3] OJ L 375, 31.12.1985, p. 3. Directive as last amended by Directive 2004/39/EC.
[4] OJ L 126, 26.5.2000, p. 1. Directive as last amended by Commission Directive 2004/69/EC (OJ L 125, 28.4.2004, p. 44).
[5] 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).

of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on Information Society services[6] in accordance with the regulatory procedure referred to in Article 27(2).

The measures referred to in points (a) and (b) of the second subparagraph shall be laid down by means of delegated acts in accordance with Article 27(2a) (2b) and (2c), and subject to the conditions of Articles 27a and 27b.

ARTICLE 3
Integration of securities markets

1 The home Member State may make an issuer subject to requirements more stringent than those laid down in this Directive, except that it may not require issuers to publish periodic financial information on a more frequent basis than the annual financial reports referred to in Article 4 and the half-yearly financial reports referred to in Article 5.

1a By way of derogation from paragraph 1, the home Member States may require issuers to publish additional periodic financial information on a more frequent basis than the annual financial reports referred to in Article 4 and the half-yearly financial reports referred to in Article 5, where the following conditions are met:

— the additional periodic financial information does not constitute a disproportionate financial burden in the Member State concerned, in particular for the small and medium-sized issuers concerned, and

— the content of the additional periodic financial information required is proportionate to the factors that contribute to investment decisions by the investors in the Member State concerned.

Before taking a decision requiring issuers to publish additional periodic financial information, Member States shall assess both whether such additional requirements may lead to an excessive focus on the issuers' short-term results and performance and whether they may impact negatively on the ability of small and medium-sized issuers to have access to the regulated markets.

This is without prejudice to the ability of Member States to require the publication of additional periodic financial information by issuers who are financial institutions.

The home Member State may not make a holder of shares, or a natural person or legal entity referred to in Article 10 or 13, subject to requirements more stringent than those laid down in this Directive, except when:

(i) setting lower or additional notification thresholds than those laid down in Article 9(1) and requiring equivalent notifications in relation to thresholds based on capital holdings;

(ii) applying more stringent requirements than those referred to in Article 12; or

(iii) applying laws, regulations or administrative provisions adopted in relation to takeover bids, merger transactions and other transactions affecting the ownership or control of companies, supervised by the authorities appointed by Member States pursuant to Article 4 of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids[7].

2 A host Member State may not:

[6] OJ L 204, 21.7.1998, p. 37. Directive as last amended by Council Directive 2006/96/EC (OJ L 363, 20.12.2006, p. 81).
[7] OJ L 142, 30.4.2004, p. 12.

(a) as regards the admission of securities to a regulated market in its territory, impose disclosure requirements more stringent than those laid down in this Directive or in Article 6 of Directive 2003/6/EC;

(b) as regards the notification of information, make a holder of shares, or a natural person or legal entity referred to in Articles 10 or 13, subject to requirements more stringent than those laid down in this Directive.

CHAPTER II
PERIODIC INFORMATION

ARTICLE 4
Annual financial reports

1 The issuer shall make public its annual financial report at the latest four months after the end of each financial year and shall ensure that it remains publicly available for at least 10 years.

2 The annual financial report shall comprise:

(a) the audited financial statements;

(b) the management report; and

(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[8].

3 Where the issuer is required to prepare consolidated accounts according to the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts[9], the audited financial statements shall comprise such consolidated accounts drawn up in accordance with Regulation (EC) No 1606/2002 and the annual accounts of the parent company drawn up in accordance with the national law of the Member State in which the parent company is incorporated.

Where the issuer is not required to prepare consolidated accounts, the audited financial statements shall comprise the accounts prepared in accordance with the national law of the Member State in which the company is incorporated.

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 ~~Articles 51 and 51a of the Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies[8] and, if the issuer is required to prepare consolidated accounts, in accordance with Article 37 of Directive 83/349/EEC~~.

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[8] 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).
~~[8] OJ L 222, 14.8.1978, p. 11. Directive as last amended by Directive 2003/51/EC.~~

[9] OJ L 193, 18.7.1983, p. 1. Directive as last amended by Directive 2003/51/EC of the European Parliament and of the Council (OJ L 178, 17.7.2003, p. 16).

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[10], 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 ~~auditing the financial statements,~~ 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 ~~Article 46 of Directive 78/660/EEC and, if the issuer is required to prepare consolidated accounts, in accordance with Article 36 of Directive 83/349/EEC~~.

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.

6 The Commission shall, in accordance with the procedure referred to in Article 27(2), adopt implementing measures in order to take account of technical developments in financial markets and to ensure the uniform application of paragraph 1. The Commission shall in particular specify the technical conditions under which a published annual financial report, including the audit report, is to remain available to the public. Where appropriate, the Commission may also adapt the five-year period referred to in paragraph 1.

7 For financial years beginning on or after 1 January 2020, all annual financial reports shall be prepared in a single electronic reporting format provided that a cost-benefit analysis has been undertaken by the European Supervisory Authority (European Securities and Markets Authority) (ESMA) established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council[11]. However, a Member State may allow issuers to apply that reporting requirement for financial years beginning on or after 1 January 2021, provided that that Member State notifies the Commission of its intention to allow such a delay by 19 March 2021, and that its intention is duly justified.

ESMA shall develop draft regulatory technical standards to specify the electronic reporting format, with due reference to current and future technological options. Before the adoption of the draft regulatory technical standards, ESMA shall carry out an adequate assessment of possible electronic reporting formats and conduct appropriate field tests. ESMA shall submit those draft regulatory technical standards to the Commission at the latest by 31 December 2016.

[10] 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).

[11] Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the second subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

ARTICLE 5
Half-yearly financial reports

1 The issuer of shares or debt securities shall make public a half-yearly financial report covering the first six months of the financial year as soon as possible after the end of the relevant period, but at the latest three months thereafter. The issuer shall ensure that the half-yearly financial report remains available to the public for at least 10 years.

2 The half-yearly financial report shall comprise:

(a) the condensed set of financial statements;

(b) an interim management report; and

(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 condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required under paragraph 3, and that the interim management report includes a fair review of the information required under paragraph 4.

3 Where the issuer is required to prepare consolidated accounts, the condensed set of financial statements shall be prepared in accordance with the international accounting standard applicable to the interim financial reporting adopted pursuant to the procedure provided for under Article 6 of Regulation (EC) No 1606/2002.

Where the issuer is not required to prepare consolidated accounts, the condensed set of financial statements shall at least contain a condensed balance sheet, a condensed profit and loss account and explanatory notes on these accounts. In preparing the condensed balance sheet and the condensed profit and loss account, the issuer shall follow the same principles for recognising and measuring as when preparing annual financial reports.

4 The interim management report shall include at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. For issuers of shares, the interim management report shall also include major related parties transactions.

5 If the half-yearly financial report has been audited, the audit report shall be reproduced in full. The same shall apply in the case of an auditors' review. If the half-yearly financial report has not been audited or reviewed by auditors, the issuer shall make a statement to that effect in its report.

6 The Commission shall adopt, in accordance with Article 27(2) or Article 27(2a), (2b) and (2c), in order to take account of technical developments on financial markets, measures to specify the requirements and ensure the uniform application of paragraphs 1 to 5 of this Article.

The Commission shall, in particular:

(a) specify the technical conditions under which a published half-yearly financial report, including the auditors' review, is to remain available to the public;

(b) clarify the nature of the auditors' review;

(c) specify the minimum content of the condensed balance sheet and profit and loss accounts and explanatory notes on these accounts, where they are not prepared in accordance with the international accounting standards adopted pursuant to the procedure provided for under Article 6 of Regulation (EC) No 1606/2002.

The measures referred to in point (a) shall be adopted in accordance with the regulatory procedure referred to in Article 27(2). The measures referred to in points (b) and (c) shall be laid down by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b.

Where appropriate, the Commission may also adapt the five-year period referred to in paragraph 1 by means of a delegated act in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b.

ARTICLE 6
Report on payments to governments

Member States shall require issuers active in the extractive or logging of primary forest industries, as defined in Article 41(1) and (2) of 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[12], to prepare on an annual basis, in accordance with Chapter 10 of that Directive, a report on payments made to governments. The report shall be made public at the latest six months after the end of each financial year and shall remain publicly available for at least 10 years. Payments to governments shall be reported at consolidated level.

ARTICLE 7
Responsibility and liability

Member States shall ensure that responsibility for the information to be drawn up and made public in accordance with Articles 4, 5, 6 and 16 lies at least with the issuer or its administrative, management or supervisory bodies and shall ensure that their laws, regulations and administrative provisions on liability apply to the issuers, the bodies referred to in this Article or the persons responsible within the issuers.

ARTICLE 8
Exemptions

1 Articles 4 and 5 shall not apply to the following issuers:

(a) a State, a regional or local authority of a State, a public international body of which at least one Member State is a member, the European Central Bank (ECB), the European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement and any other mechanism established with the objective of preserving the financial stability of European monetary union by providing temporary financial assistance to the Member States whose currency is the euro and Member States' national central banks whether or not they issue shares or other securities; and

(b) an issuer exclusively of debt securities admitted to trading on a regulated market, the denomination per unit of which is at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 100 000.

2 The home Member State may choose not to apply Article 5 to credit institutions whose shares are not admitted to trading on a regulated market and which have, in a continuous or repeated manner,

[12] OJ L 182, 29.6.2013, p. 19.

only issued debt securities provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that they have not published a prospectus under Directive 2003/71/EC.

3 The home Member State may choose not to apply Article 5 to issuers already existing at the date of the entry into force of Directive 2003/71/EC which exclusively issue debt securities unconditionally and irrevocably guaranteed by the home Member State or by one of its regional or local authorities, on a regulated market.

4 By way of derogation from point (b) of paragraph 1 of this Article, Articles 4 and 5 shall not apply to issuers exclusively of debt securities the denomination per unit of which is at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in the Union before 31 December 2010, for as long as such debt securities are outstanding.

CHAPTER III
ONGOING INFORMATION

SECTION I
Information about major holdings

ARTICLE 9
Notification of the acquisition or disposal of major holdings

1 The home Member State shall ensure that, where a shareholder acquires or disposes of shares of an issuer whose shares are admitted to trading on a regulated market and to which voting rights are attached, such shareholder notifies the issuer of the proportion of voting rights of the issuer held by the shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 %.

The voting rights shall be calculated on the basis of all the shares to which voting rights are attached even if the exercise thereof is suspended. Moreover this information shall also be given in respect of all the shares which are in the same class and to which voting rights are attached.

2 The home Member States shall ensure that the shareholders notify the issuer of the proportion of voting rights, where that proportion reaches, exceeds or falls below the thresholds provided for in paragraph 1, as a result of events changing the breakdown of voting rights, and on the basis of the information disclosed pursuant to Article 15. Where the issuer is incorporated in a third country, the notification shall be made for equivalent events.

3 The home Member State need not apply:

(a) the 30 % threshold, where it applies a threshold of one-third;

(b) the 75 % threshold, where it applies a threshold of two-thirds.

4 This Article shall not apply to shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle, or to custodians holding shares in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means.

5 This Article shall not apply to the acquisition or disposal of a major holding reaching or crossing the 5 % threshold by a market maker acting in its capacity of a market maker, provided that:

(a) it is authorised by its home Member State under Directive 2004/39/EC; and

(b) it neither intervenes in the management of the issuer concerned nor exerts any influence on the issuer to buy such shares or back the share price.

6 This Article shall not apply to voting rights held in the trading book, as defined in Article 11 of Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions[13], of a credit institution or investment firm provided that:

(a) the voting rights held in the trading book do not exceed 5 %; and

(b) the voting rights attached to shares held in the trading book are not exercised or otherwise used to intervene in the management of the issuer.

6a This Article shall not apply to voting rights attached to shares acquired for stabilisation purposes in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments[14], provided the voting rights attached to those shares are not exercised or otherwise used to intervene in the management of the issuer.

6b ESMA shall develop draft regulatory technical standards to specify the method of calculation of the 5 % threshold referred to in paragraphs 5 and 6, including in the case of a group of companies, taking into account Article 12(4) and (5).

ESMA shall submit those draft regulatory technical standards to the Commission by 27 November 2014.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

7 The Commission shall adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures in order to take account of technical developments on financial markets and to specify the requirements laid down in paragraphs 2, 4 and 5.

The Commission shall specify, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, the maximum length of the 'short settlement cycle' referred to in paragraph 4 of this Article, as well as the appropriate control mechanisms by the competent authority of the home Member State.

In addition, the Commission may draw up a list of the events referred to in paragraph 2 of this Article, in accordance with the regulatory procedure referred to in Article 27(2).

ARTICLE 10
Acquisition or disposal of major proportions of voting rights

The notification requirements defined in paragraphs 1 and 2 of Article 9 shall also apply to a natural person or legal entity to the extent it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

(a) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question;

[13] OJ L 177, 30.6.2006, p. 201.
[14] OJ L 336, 23.12.2003, p. 33.

(b) voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;

(c) voting rights attaching to shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention of exercising them;

(d) voting rights attaching to shares in which that person or entity has the life interest;

(e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

(f) voting rights attaching to shares deposited with that person or entity which the person or entity can exercise at its discretion in the absence of specific instructions from the shareholders;

(g) voting rights held by a third party in its own name on behalf of that person or entity;

(h) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at its discretion in the absence of specific instructions from the share-holders.

ARTICLE 11

1 Articles 9 and 10(c) shall not apply to shares provided to or by the members of the ESCB in carrying out their functions as monetary authorities, including shares provided to or by members of the ESCB under a pledge or repurchase or similar agreement for liquidity granted for monetary policy purposes or within a payment system.

2 The exemption shall apply to the above transactions lasting for a short period and provided that the voting rights attaching to such shares are not exercised.

ARTICLE 12
Procedures on the notification and disclosure of major holdings

1 The notification required under Articles 9 and 10 shall include the following information:

(a) the resulting situation in terms of voting rights;

(b) the chain of controlled undertakings through which voting rights are effectively held, if applicable;

(c) the date on which the threshold was reached or crossed; and

(d) the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights under the conditions laid down in Article 10, and of the natural person or legal entity entitled to exercise voting rights on behalf of that shareholder.

2 The notification to the issuer shall be effected promptly, but not later than four trading days after the date on which the shareholder, or the natural person or legal person referred to in Article 10,

(a) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or

(b) is informed about the event mentioned in Article 9(2).

3 An undertaking shall be exempted from making the required notification in accordance with paragraph 1 if the notification is made by the parent undertaking or, where the parent undertaking is itself a controlled undertaking, by its own parent undertaking.

4 The parent undertaking of a management company shall not be required to aggregate its holdings under Articles 9 and 10 with the holdings managed by the management company under the conditions laid down in Directive 85/611/EEC, provided such management company exercises its voting rights independently from the parent undertaking.

However, Articles 9 and 10 shall apply where the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such management company and the management company has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking.

5 The parent undertaking of an investment firm authorised under Directive 2004/39/EC shall not be required to aggregate its holdings under Articles 9 and 10 with the holdings which such investment firm manages on a client-by-client basis within the meaning of Article 4(1), point 9, of Directive 2004/39/EC, provided that:

— the investment firm is authorised to provide such portfolio management under point 4 of Section A of Annex I to Directive 2004/39/EC;

— it may only exercise the voting rights attached to such shares under instructions given in writing or by electronic means or it ensures that individual portfolio management services are conducted independently of any other services under conditions equivalent to those provided for under Directive 85/611/EEC by putting into place appropriate mechanisms; and

— the investment firm exercises its voting rights independently from the parent undertaking.

However, Articles 9 and 10 shall apply where the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such investment firm and the investment firm has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking.

6 Upon receipt of the notification under paragraph 1, but no later than three trading days thereafter, the issuer shall make public all the information contained in the notification.

7 A home Member State may exempt issuers from the requirement in paragraph 6 if the information contained in the notification is made public by its competent authority, under the conditions laid down in Article 21, upon receipt of the notification, but no later than three trading days thereafter.

8 In order to take account of technical developments on financial markets and to specify the requirements laid down in paragraphs 1, 2, 4, 5 and 6 of this Article, the Commission shall adopt, in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures:

(b) to determine a calendar of ‘trading days’ for all Member States;

(c) to establish in which cases the shareholder, or the natural person or legal entity referred to in Article 10, or both, shall effect the necessary notification to the issuer;

(d) to clarify the circumstances under which the shareholder, or the natural person or legal entity referred to in Article 10, should have learned of the acquisition or disposal;

(e) to clarify the conditions of independence to be complied with by management companies and their parent undertakings or by investment firms and their parent undertakings to benefit from the exemptions in paragraphs 4 and 5.

9 In order to ensure the uniform conditions of application of this Article and to take account of technical developments on financial markets, the European Supervisory Authority (European Securities and Markets Authority) (hereinafter 'ESMA'), established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council[15] may develop draft implementing technical standards to establish standard forms, templates and procedures to be used when notifying the required information to the issuer under paragraph 1 of this Article or when filing information under Article 19(3).

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

ARTICLE 13

1 The notification requirements laid down in Article 9 shall also apply to a natural person or legal entity who holds, directly or indirectly:

(a) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, shares to which voting rights are attached, already issued, of an issuer whose shares are admitted to trading on a regulated market;

(b) financial instruments which are not included in point (a) but which are referenced to shares referred to in that point and with economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include the breakdown by type of financial instruments held in accordance with point (a) and financial instruments held in accordance with point (b) of that subparagraph, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

1a The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying issuer.

ESMA shall develop draft regulatory technical standards to specify:

(a) the method for calculating the number of voting rights referred to in the first subparagraph in the case of financial instruments referenced to a basket of shares or an index; and

(b) the methods for determining delta for the purposes of calculating voting rights relating to financial instruments which provide exclusively for a cash settlement as required by the first subparagraph.

ESMA shall submit those draft regulatory technical standards to the Commission by 27 November 2014.

[15] OJ L 331, 15.12.2010, p. 84.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the second subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

1b For the purposes of paragraph 1, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (a) or (b) of the first subparagraph of paragraph 1:

(a) transferable securities;

(b) options;

(c) futures;

(d) swaps;

(e) forward rate agreements;

(f) contracts for differences; and

(g) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

ESMA shall establish and periodically update an indicative list of financial instruments that are subject to notification requirements pursuant to paragraph 1, taking into account technical developments on financial markets.

2 The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions laid down by Articles 27a and 27b, the measures to specify the contents of the notification to be made, the notification period and to whom the notification is to be made as referred to in paragraph 1.

3 In order to ensure uniform conditions of application of paragraph 1 of this Article and to take account of technical developments on financial markets, ESMA may develop draft implementing technical standards to establish standard forms, templates and procedures to be used when notifying the required information to the issuer under paragraph 1 of this Article or when filing information under Article 19(3).

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

4 The exemptions laid down in Article 9(4), (5) and (6) and in Article 12(3), (4) and (5) shall apply mutatis mutandis to the notification requirements under this Article.

ESMA shall develop draft regulatory technical standards to specify the cases in which the exemptions referred to in the first subparagraph apply to financial instruments held by a natural person or a legal entity fulfilling orders received from clients or responding to a client's requests to trade otherwise than on a proprietary basis, or hedging positions arising out of such dealings.

ESMA shall submit those draft regulatory technical standards to the Commission by 27 November 2014.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the second subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

ARTICLE 13a
Aggregation

1 The notification requirements laid down in Articles 9, 10 and 13 shall also apply to a natural person or a legal entity when the number of voting rights held directly or indirectly by such person or entity under Articles 9 and 10 aggregated with the number of voting rights relating to financial instruments held directly or indirectly under Article 13 reaches, exceeds or falls below the thresholds set out in Article 9(1).

The notification required under the first subparagraph of this paragraph shall include a breakdown of the number of voting rights attached to shares held in accordance with Articles 9 and 10 and voting rights relating to financial instruments within the meaning of Article 13.

2 Voting rights relating to financial instruments that have already been notified in accordance with Article 13 shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding the thresholds laid down by Article 9(1).

ARTICLE 14

1 Where an issuer of shares admitted to trading on a regulated market acquires or disposes of its own shares, either itself or through a person acting in his own name but on the issuer's behalf, the home Member State shall ensure that the issuer makes public the proportion of its own shares as soon as possible, but not later than four trading days following such acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5 % or 10 % of the voting rights. The proportion shall be calculated on the basis of the total number of shares to which voting rights are attached.

2 The Commission shall adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures in order to take account of technical developments on financial markets and to specify the requirements laid down in paragraph 1.

ARTICLE 15

For the purpose of calculating the thresholds provided for in Article 9, the home Member State shall at least require the disclosure to the public by the issuer of the total number of voting rights and capital at the end of each calendar month during which an increase or decrease of such total number has occurred.

ARTICLE 16
Additional information

1 The issuer of shares admitted to trading on a regulated market shall make public without delay any change in the rights attaching to the various classes of shares, including changes in the rights attaching to derivative securities issued by the issuer itself and giving access to the shares of that issuer.

2 The issuer of securities, other than shares admitted to trading on a regulated market, shall make public without delay any changes in the rights of holders of securities other than shares, including changes in the terms and conditions of these securities which could indirectly affect those rights, resulting in particular from a change in loan terms or in interest rates.

SECTION II
Information for holders of securities admitted to trading on a regulated market

ARTICLE 17
Information requirements for issuers whose shares are admitted to trading on a regulated market

1 The issuer of shares admitted to trading on a regulated market shall ensure equal treatment for all holders of shares who are in the same position.

2 The issuer shall ensure that all the facilities and information necessary to enable holders of shares to exercise their rights are available in the home Member State and that the integrity of data is preserved. Shareholders shall not be prevented from exercising their rights by proxy, subject to the law of the country in which the issuer is incorporated. In particular, the issuer shall:

(a) provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders to participate in meetings;

(b) make available a proxy form, on paper or, where applicable, by electronic means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after an announcement of the meeting;

(c) designate as its agent a financial institution through which shareholders may exercise their financial rights; and

(d) publish notices or distribute circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

3 For the purposes of conveying information to shareholders, the home Member State shall allow issuers the use of electronic means, provided such a decision is taken in a general meeting and meets at least the following conditions:

(a) the use of electronic means shall in no way depend upon the location of the seat or residence of the shareholder or, in the cases referred to in Article 10(a) to (h), of the natural persons or legal entities;

(b) identification arrangements shall be put in place so that the shareholders, or the natural persons or legal entities entitled to exercise or to direct the exercise of voting rights, are effectively informed;

(c) shareholders, or in the cases referred to in Article 10(a) to (e) the natural persons or legal entities entitled to acquire, dispose of or exercise voting rights, shall be contacted in writing to request their consent for the use of electronic means for conveying information and, if they do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing, and

(d) any apportionment of the costs entailed in the conveyance of such information by electronic means shall be determined by the issuer in compliance with the principle of equal treatment laid down in paragraph 1.

4 The Commission shall adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures in order to take account of technical developments on financial markets, to take account of developments in information and communication technology and to specify the requirements laid down in paragraphs 1, 2 and 3. The Commission shall, in particular, specify the types of financial institution through which a shareholder may exercise the financial rights provided for in paragraph 2(c).

ARTICLE 18
Information requirements for issuers whose debt securities are admitted to trading on a regulated market

1 The issuer of debt securities admitted to trading on a regulated market shall ensure that all holders of debt securities ranking pari passu are given equal treatment in respect of all the rights attaching to those debt securities.

2 The issuer shall ensure that all the facilities and information necessary to enable debt securities holders to exercise their rights are publicly available in the home Member State and that the integrity of data is preserved. Debt securities holders shall not be prevented from exercising their rights by proxy, subject to the law of country in which the issuer is incorporated. In particular, the issuer shall:

(a) publish notices, or distribute circulars, concerning the place, time and agenda of meetings of debt securities holders, the payment of interest, the exercise of any conversion, exchange, subscription or cancellation rights, and repayment, as well as the right of those holders to participate therein;

(b) make available a proxy form on paper or, where applicable, by electronic means, to each person entitled to vote at a meeting of debt securities holders, together with the notice concerning the meeting or, on request, after an announcement of the meeting; and

(c) designate as its agent a financial institution through which debt securities holders may exercise their financial rights.

3 Where only holders of debt securities whose denomination per unit amounts to at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro whose denomination per unit is, at the date of the issue, equivalent to at least EUR 100 000, are to be invited to a meeting, the issuer may choose as venue any Member State, provided that all the facilities and information necessary to enable such holders to exercise their rights are made available in that Member State.

The choice referred to in the first subparagraph shall also apply with regard to holders of debt securities whose denomination per unit amounts to at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in the Union before 31 December 2010, for as long as such debt securities are outstanding, provided that all the facilities and information necessary to enable such holders to exercise their rights are made available in the Member State chosen by the issuer.

4 For the purposes of conveying information to debt securities holders, the home Member State, or the Member State chosen by the issuer pursuant to paragraph 3, shall allow issuers the use of electronic means, provided such a decision is taken in a general meeting and meets at least the following conditions:

(a) the use of electronic means shall in no way depend upon the location of the seat or residence of the debt security holder or of a proxy representing that holder;

(b) identification arrangements shall be put in place so that debt securities holders are effectively informed;

(c) debt securities holders shall be contacted in writing to request their consent for the use of electronic means for conveying information and if they do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing; and

(d) any apportionment of the costs entailed in the conveyance of information by electronic means shall be determined by the issuer in compliance with the principle of equal treatment laid down in paragraph 1.

5 The Commission shall adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures in order to take account of technical developments on financial markets, to take account of developments in information and communication technology and to specify the requirements laid down in paragraphs 1 to 4. The Commission shall, in particular, specify the types of financial institution through which a debt security holder may exercise the financial rights provided for in paragraph 2(c).

CHAPTER IV
GENERAL OBLIGATIONS

ARTICLE 19
Home Member State control

1 Whenever the issuer, or any person having requested, without the issuer's consent, the admission of its securities to trading on a regulated market, discloses regulated information, it shall at the same time file that information with the competent authority of its home Member State. That competent authority may decide to publish such filed information on its Internet site.

2 The home Member State may exempt an issuer from the requirement under paragraph 1 in respect of information disclosed in accordance with Article 6 of Directive 2003/6/EC or Article 12(6) of this Directive.

3 Information to be notified to the issuer in accordance with Articles 9, 10, 12 and 13 shall at the same time be filed with the competent authority of the home Member State.

4 The Commission shall adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures in order to specify the requirements laid down in paragraphs 1, 2 and 3.

The Commission shall, in particular, specify the procedure in accordance with which an issuer, a holder of shares or other financial instruments, or a person or entity referred to in Article 10, is to file information with the competent authority of the home Member State under paragraph 1 or 3, respectively, in order to enable filing by electronic means in the home Member State.

ARTICLE 20
Languages

1 Where securities are admitted to trading on a regulated market only in the home Member State, regulated information shall be disclosed in a language accepted by the competent authority in the home Member State.

2 Where securities are admitted to trading on a regulated market both in the home Member State and in one or more host Member States, regulated information shall be disclosed:

(a) in a language accepted by the competent authority in the home Member State; and

(b) depending on the choice of the issuer, either in a language accepted by the competent authorities of those host Member States or in a language customary in the sphere of international finance.

3 Where securities are admitted to trading on a regulated market in one or more host Member States, but not in the home Member State, regulated information shall, depending on the choice of the

issuer, be disclosed either in a language accepted by the competent authorities of those host Member States or in a language customary in the sphere of international finance.

In addition, the home Member State may lay down in its law, regulations or administrative provisions that the regulated information shall, depending on the choice of the issuer, be disclosed either in a language accepted by its competent authority or in a language customary in the sphere of international finance.

4 Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraphs 1, 2 and 3 shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.

5 Member States shall allow shareholders and the natural person or legal entity referred to in Articles 9, 10 and 13 to notify information to an issuer under this Directive only in a language customary in the sphere of international finance. If the issuer receives such a notification, Member States may not require the issuer to provide a translation into a language accepted by the competent authorities.

6 By way of derogation from paragraphs 1 to 4, where securities whose denomination per unit amounts to at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro equivalent to at least EUR 100 000 at the date of the issue, are admitted to trading on a regulated market in one or more Member States, regulated information shall be disclosed to the public either in a language accepted by the competent authorities of the home and host Member States or in a language customary in the sphere of international finance, at the choice of the issuer or of the person who, without the issuer's consent, has requested such admission.

The derogation referred to in the first subparagraph shall also apply to debt securities the denomination per unit of which is at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in one or more Member States before 31 December 2010, for as long as such debt securities are outstanding.

7 If an action concerning the content of regulated information is brought before a court or tribunal in a Member State, responsibility for the payment of costs incurred in the translation of that information for the purposes of the proceedings shall be decided in accordance with the law of that Member State.

ARTICLE 21
Access to regulated information

1 The home Member State shall ensure that the issuer, or the person who has applied for admission to trading on a regulated market without the issuer's consent, discloses regulated information in a manner ensuring fast access to such information on a non-discriminatory basis and makes it available to the officially appointed mechanism referred to in paragraph 2. The issuer, or the person who has applied for admission to trading on a regulated market without the issuer's consent, may not charge investors any specific cost for providing the information. The home Member State shall require the issuer to use such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the Community. The home Member State may not impose an obligation to use only media whose operators are established on its territory.

2 The home Member State shall ensure that there is at least one officially appointed mechanism for the central storage of regulated information. These mechanisms should comply with minimum quality standards of security, certainty as to the information source, time recording and easy access by end users and shall be aligned with the filing procedure under Article 19(1).

3 Where securities are admitted to trading on a regulated market in only one host Member State and not in the home Member State, the host Member State shall ensure disclosure of regulated information in accordance with the requirements referred to in paragraph 1.

4 The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions laid down in Articles 27a and 27b, measures to specify the following:

(a) minimum standards for the dissemination of regulated information, as referred to in paragraph 1;

(b) minimum standards for the central storage mechanisms as referred to in paragraph 2;

(c) rules to ensure the interoperability of the information and communication technologies used by the mechanisms referred to in paragraph 2 and access to regulated information at the Union level, referred to therein.

The Commission may also specify and update a list of media for the dissemination of information to the public.

~~**ARTICLE 21a**~~
~~**European electronic access point**~~

~~1 A web portal serving as a European electronic access point ('the access point') shall be established by 1 January 2018. ESMA shall develop and operate the access point.~~

~~2 The system of interconnection of officially appointed mechanisms shall be composed of:~~

~~— the mechanisms referred to in Article 21(2),~~

~~— the portal serving as the European electronic access point.~~

~~3 Member States shall ensure access to their central storage mechanisms via the access point.~~

ARTICLE 22
Access to regulated information at Union level

1 ESMA shall develop draft regulatory technical standards setting technical requirements regarding access to regulated information at Union level in order to specify the following:

(a) the technical requirements regarding communication technologies used by the mechanisms referred to in Article 21(2);

(b) the technical requirements for the operation of the central access point for the search for regulated information at Union level;

(c) the technical requirements regarding the use of a unique identifier for each issuer by the mechanisms referred to in Article 21(2);

(d) the common format for the delivery of regulated information by the mechanisms referred to in Article 21(2);

(e) the common classification of regulated information by the mechanisms referred to in Article 21(2) and the common list of types of regulated information.

2 In developing the draft regulatory technical standards, ESMA shall take into account the technical requirements for the system of interconnection of business registers established by Directive 2012/17/EU of the European Parliament and of the Council[16].

ESMA shall submit those draft regulatory technical standards to the Commission by 27 November 2015.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

ARTICLE 23
Third countries

1 Where the registered office of an issuer is situated in a third country, the competent authority of the home Member State may exempt that issuer from requirements under Articles 4 to 7, Article 12(6) and Articles 14 to 18, provided that the law of the third country in question lays down equivalent requirements or such an issuer complies with requirements of the law of a third country that the competent authority of the home Member State considers as equivalent.

The competent authority shall then inform ESMA of the exemption granted.

The information covered by the requirements laid down in the third country shall be filed in accordance with Article 19 and disclosed in accordance with Articles 20 and 21.

2 By way of derogation from paragraph 1, an issuer whose registered office is in a third country shall be exempted from preparing its financial statement in accordance with Article 4 or Article 5 prior to the financial year starting on or after 1 January 2007, provided such issuer prepares its financial statements in accordance with internationally accepted standards referred to in Article 9 of Regulation (EC) No 1606/2002.

3 The competent authority of the home Member State shall ensure that information disclosed in a third country which may be of importance for the public in the Community is disclosed in accordance with Articles 20 and 21, even if such information is not regulated information within the meaning of Article 2(1)(k).

4 In order to ensure the uniform conditions of application of paragraph 1, the Commission shall adopt, in accordance with the procedure referred to in Article 27(2), implementing measures:

(i) setting up a mechanism ensuring the establishment of equivalence of information required under this Directive, including financial statements and information, required under the law, regulations or administrative provisions of a third country;

(ii) stating that, by reason of its domestic law, regulations, administrative provisions, or of the practices or procedures based on the international standards set by international organisations, the third country where the issuer is registered ensures the equivalence of the information requirements provided for in this Directive.

In the context of point (ii) of the first subparagraph, the Commission shall also adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures concerning the assessment of standards relevant to the issuers of more than one country.

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 ~~which are used by third-country issuers~~ under the conditions set out in Article 30(3) of this Directive and on the

[16] OJ L 156, 16.6.2012, p. 1.

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 ~~accounting~~ standards during an appropriate transitional period.

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~~of~~ Articles 27a and 27b, measures that aim~~ed at~~ to establish~~ing~~ general equivalence criteria regarding accounting standards and sustainability reporting standards relevant to issuers of more than one country.

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.

5 In order to specify the requirements laid down in paragraph 2, the Commission may adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures defining the type of information disclosed in a third country that is of importance to the public in the Union.

6 Undertakings whose registered office is in a third country which would have required an authorisation in accordance with Article 5(1) of Directive 85/611/EEC or, with regard to portfolio management under point 4 of section A of Annex I to Directive 2004/39/EC if it had its registered office or, only in the case of an investment firm, its head office within the Community, shall also be exempted from aggregating holdings with the holdings of its parent undertaking under the requirements laid down in Article 12(4) and (5) provided that they comply with equivalent conditions of independence as management companies or investment firms.

7 In order to take account of technical developments in financial markets and to ensure the uniform application of paragraph 6, the Commission shall, in accordance with the procedure referred to in Article 27(2), adopt implementing measures stating that, by reason of its domestic law, regulations, or administrative provisions, a third country ensures the equivalence of the independence requirements provided for under this Directive and its implementing measures.

The Commission shall also adopt, by means of delegated acts in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions of Articles 27a and 27b, measures aimed at establishing general equivalence criteria for the purpose of the first subparagraph.

8 ESMA shall assist the Commission in carrying out its tasks under this Article in accordance with Article 33 of Regulation (EU) No 1095/2010.

ARTICLE 23a
Accessibility of information on the European single access point

1 From 10 July 2026, Member States shall ensure that, when disclosing regulated information referred to in Article 21(1) of this Directive, the issuer or the person who has applied for admission to trading on a regulated market without the issuer's consent shall submit that regulated information at the same time to the collection body referred to in paragraph 3 of this Article for the purpose of making

it accessible on the European single access point (ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council[17].

Member States shall ensure that the regulated information complies with the following requirements:

(a) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859 or, where required by Union or national law, in a machine-readable format, as defined in Article 2, point (4), of that Regulation;

(b) be accompanied by the following metadata:

(i) all the names of the issuer to which the information relates;

(ii) the legal entity identifier of the issuer, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

(iii) the size of the issuer by category, as specified pursuant to Article 7(4), point (d), of that Regulation;

(iv) the industry sector(s) of the economic activities of the issuer, as specified pursuant to Article 7(4), point (e), of that Regulation;

(v) the type of information, as classified pursuant to Article 7(4), point (c), of that Regulation;

(vi) an indication of whether the information contains personal data.

2 For the purposes of paragraph 1, point (b)(ii), Member States shall require issuers to obtain a legal entity identifier.

3 For the purpose of making the information referred to in paragraph 1 of this Article accessible on ESAP, the collection body as defined in Article 2, point (2), of Regulation (EU) 2023/2859 shall be the officially appointed mechanism designated under Article 21(2) of this Directive.

4 From 10 July 2026, Member States shall ensure that the information referred to in Article 29(1) of this Directive is made accessible on ESAP. For that purpose, the collection body as defined in Article 2, point (2), of Regulation (EU) 2023/2859 shall be the competent authority pursuant to this Directive.

Member States shall ensure that the information complies with the following requirements:

(**a**) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859;

(**b**) be accompanied by the following metadata:

(**i**) all the names of the natural person or legal entity to which the information relates;

(**ii**) where available, the legal entity identifier of the legal entity, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

[17] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OL L, 2023/2859, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2859/oj).

(**iii**) the type of information, as classified pursuant to Article 7(4), point (c), of that Regulation;

(**iv**) an indication of whether the information contains personal data.

5 For the purpose of ensuring the efficient collection and management of regulated information submitted in accordance with paragraph 1, ESMA shall develop draft implementing technical standards to specify the following:

(**a**) any other metadata to accompany that information, including the half-yearly financial report referred to in Article 5(1);

(**b**) the structuring of the data and the machine-readable format applicable to the information referred to in point (a) of this subparagraph.

For the purposes of point (b), ESMA shall assess the advantages and disadvantages of different machine-readable formats and conduct appropriate field tests.

ESMA shall submit those draft implementing technical standards to the Commission.

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph of this paragraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

6 Where necessary, ESMA shall adopt guidelines to ensure that the metadata submitted in accordance with paragraph 5, first subparagraph, point (a), are correct.

CHAPTER V
COMPETENT AUTHORITIES

ARTICLE 24
Competent authorities and their powers

1 Each Member State shall designate the central authority referred to in Article 21(1) of Directive 2003/71/EC as the central competent administrative authority responsible for carrying out the obligations provided for in this Directive and for ensuring that the provisions adopted pursuant to this Directive are applied. Member States shall inform the Commission and ESMA accordingly.

However, for the purpose of paragraph 4(h) Member States may designate a competent authority other than the central competent authority referred to in the first subparagraph.

2 Member States may allow their central competent authority to delegate tasks. Except for the tasks referred to in paragraph 4(h), any delegation of tasks relating to the obligations provided for in this Directive and in its implementing measures shall be reviewed five years after the entry into force of this Directive and shall end eight years after the entry into force of this Directive. Any delegation of tasks shall be made in a specific manner stating the tasks to be undertaken and the conditions under which they are to be carried out.

Those conditions shall include a clause requiring the entity in question to be organised in a manner such that conflicts of interest are avoided and information obtained from carrying out the delegated tasks is not used unfairly or to prevent competition. In any case, the final responsibility for supervising compliance with the provisions of this Directive and implementing measures adopted pursuant thereto shall lie with the competent authority designated in accordance with paragraph 1.

3 Member States shall inform the Commission, ESMA in accordance with Article 28(4) of Regulation (EU) No 1095/2010, and competent authorities of other Member States of any arrangements entered

into with regard to the delegation of tasks, including the precise conditions for regulating the delegations.

4 Each competent authority shall have all the powers necessary for the performance of its functions. It shall at least be empowered to:

(a) require auditors, issuers, holders of shares or other financial instruments, or persons or entities referred to in Articles 10 or 13, and the persons that control them or are controlled by them, to provide information and documents;

(b) require the issuer to disclose the information required under point (a) to the public by the means and within the time limits the authority considers necessary. It may publish such information on its own initiative in the event that the issuer, or the persons that control it or are controlled by it, fail to do so and after having heard the issuer;

(c) require managers of the issuers and of the holders of shares or other financial instruments, or of persons or entities referred to in Articles 10 or 13, to notify the information required under this Directive, or under national law adopted in accordance with this Directive, and, if necessary, to provide further information and documents;

(d) suspend, or request the relevant regulated market to suspend, trading in securities for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of this Directive, or of national law adopted in accordance with this Directive, have been infringed by the issuer;

(e) prohibit trading on a regulated market if it finds that the provisions of this Directive, or of national law adopted in accordance with this Directive, have been infringed, or if it has reasonable grounds for suspecting that the provisions of this Directive have been infringed;

(f) monitor that the issuer discloses timely information with the objective of ensuring effective and equal access to the public in all Member States where the securities are traded and take appropriate action if that is not the case;

(g) make public the fact that an issuer, or a holder of shares or other financial instruments, or a person or entity referred to in Articles 10 or 13, is failing to comply with its obligations;

(h) examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements; and

(i) carry out on-site inspections in its territory in accordance with national law, in order to verify compliance with the provisions of this Directive and its implementing measures. Where necessary under national law, the competent authority or authorities may use this power by applying to the relevant judicial authority and/or in cooperation with other authorities.

4a Without prejudice to paragraph 4, competent authorities shall be given all investigative powers that are necessary for the exercise of their functions. Those powers shall be exercised in conformity with national law.

4b Competent authorities shall exercise their sanctioning powers, in accordance with this Directive and national law, in any of the following ways:

— directly,

— in collaboration with other authorities,

— under their responsibility by delegation to such authorities,

— by application to the competent judicial authorities.

5 Paragraphs 1 to 4 shall be without prejudice to the possibility for a Member State to make separate legal and administrative arrangements for overseas European territories for whose external relations that Member State is responsible.

6 The disclosure to competent authorities by the auditors of any fact or decision related to the requests made by the competent authority under paragraph (4)(a) shall not constitute a breach of any restriction on disclosure of information imposed by contract or by any law, regulation or administrative provision and shall not involve such auditors in liability of any kind.

ARTICLE 25
Professional secrecy and cooperation between Member States

1 The obligation of professional secrecy shall apply to all persons who work or who have worked for the competent authority and for entities to which competent authorities may have delegated certain tasks. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the laws, regulations or administrative provisions of a Member State.

2 Competent authorities of the Member States shall cooperate with each other, whenever necessary, for the purpose of carrying out their duties and making use of their powers, whether set out in this Directive or in national law adopted pursuant to this Directive. Competent authorities shall render assistance to competent authorities of other Member States.

In the exercise of their sanctioning and investigative powers, competent authorities shall cooperate to ensure that sanctions or measures produce the desired results, and shall coordinate their action when dealing with cross-border cases.

2a The competent authorities may refer to ESMA situations where a request for cooperation has been rejected or has not been acted upon within a reasonable time. Without prejudice to the Article 258 of the Treaty on the Functioning of the European Union (TFEU), ESMA may, in situations referred to in the first sentence, act in accordance with the powers conferred on it under Article 19 of Regulation (EU) No 1095/2010.

2b The competent authorities shall cooperate with ESMA for the purposes of this Directive, in accordance with Regulation (EU) No 1095/2010.

2c The competent authorities shall without delay provide ESMA with all information necessary to carry out its duties under this Directive and under Regulation (EU) No 1095/2010, in accordance with Article 35 of that Regulation.

3 Paragraph 1 shall not prevent the competent authorities from exchanging confidential information with, or from transmitting information to, other competent authorities, ESMA and the European Systemic Risk Board (ESRB) established by Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board[18]. Information thus exchanged shall be covered by the obligation of professional secrecy to which the persons employed or formerly employed by the competent authorities receiving the information are subject.

4 Member States and ESMA in accordance with Article 33 of Regulation (EU) No 1095/2010, may conclude cooperation agreements providing for the exchange of information with the competent authorities or bodies of third countries enabled by their respective legislation to carry out any tasks under this Directive in accordance with Article 24. Member States shall notify ESMA when they conclude cooperation agreements. Such an exchange of information is subject to guarantees of

[18] OJ L 331, 15.12.2010, p. 1.

professional secrecy at least equivalent to those referred to in this Article. Such an exchange of information shall be intended for the performance of the supervisory task of the authorities or bodies mentioned. Where the information originates in another Member State, it shall not be disclosed without the express agreement of the competent authorities which disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

ARTICLE 26
Precautionary measures

1 Where the competent authority of a host Member State finds that the issuer or the holder of shares or other financial instruments, or the person or entity referred to in Article 10, has committed irregularities or infringed its obligations, it shall refer its findings to the competent authority of the home Member State and to ESMA.

2 If, despite the measures taken by the competent authority of the home Member State, or because such measures prove inadequate, the issuer or the security holder persists in infringing the relevant legal or regulatory provisions, the competent authority of the host Member State shall, after informing the competent authority of the home Member State, take, in accordance with Article 3(2), all the appropriate measures in order to protect investors, informing the Commission and ESMA thereof at the earliest opportunity.

CHAPTER VI
DELEGATED ACTS AND IMPLEMENTING MEASURES

ARTICLE 27
Committee procedure

1 The Commission shall be assisted by the European Securities Committee, instituted by Article 1 of Decision 2001/528/EC.

2 Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof, provided that the implementing measures adopted in accordance with that procedure do not modify the essential provisions of this Directive.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

2a The power to adopt the delegated acts referred to in Article 2(3), Article 5(6), Article 9(7), Article 12(8), Article 13(2), Article 14(2), Article 17(4), Article 18(5), Article 19(4), Article 21(4), Article 23(4), Article 23(5) and Article 23(7) shall be conferred on the Commission for a period of 4 years from 4 January 2011. The Commission shall draw up a report in respect of delegated power at the latest 6 months before the end of the four-year period. The delegation of power shall be automatically extended for periods of an identical duration, unless the European Parliament or the Council revokes it in accordance with Article 27a.

2b As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

2c The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in Articles 27a and 27b.

3 By 31 December 2010, and, thereafter, at least every three years, the Commission shall review the provisions concerning its implementing powers and present a report to the European Parliament and to the Council on the functioning of those powers. The report shall examine, in particular, the need for the Commission to propose amendments to this Directive in order to ensure the appropriate scope of the implementing powers conferred on the Commission. The conclusion as to whether or not amendment is necessary shall be accompanied by a detailed statement of reasons. If necessary,

the report shall be accompanied by a legislative proposal to amend the provisions conferring implementing powers on the Commission.

ARTICLE 27a
Revocation of the delegation

1 The delegation of power referred to in Article 2(3), Article 5(6), Article 9(7), Article 12(8), Article 13(2), Article 14(2), Article 17(4), Article 18(5), Article 19(4) Article 21(4), Article 23(4), Article 23(5) and Article 23(7) may be revoked at any time by the European Parliament or by the Council.

2 The institution which has commenced an internal procedure for deciding whether to revoke a delegation of power shall endeavour to inform the other institution and the Commission within a reasonable time before the final decision is taken, indicating the delegated power which could be subject to revocation.

3 The decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect immediately or at a later date specified therein. It shall not affect the validity of the delegated acts already in force. It shall be published in the Official Journal of the European Union.

ARTICLE 27b
Objections to delegated acts

1 The European Parliament or the Council may object to a delegated act within a period of 3 months from the date of notification. At the initiative of the European Parliament or the Council that period shall be extended by 3 months.

2 If, on the expiry of the period referred to in paragraph 1, neither the European Parliament nor the Council has objected to the delegated act, it shall be published in the Official Journal of the European Union and shall enter into force on the date stated therein.

The delegated act may be published in the Official Journal of the European Union and enter into force before the expiry of that period if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.

3 If either the European Parliament or the Council objects to a delegated act within the period referred to in paragraph 1, it shall not enter into force. In accordance with Article 296 TFEU, the institution which objects shall state the reasons for objecting to the delegated act.

CHAPTER VIA
SANCTIONS AND MEASURES

ARTICLE 28
Administrative measures and sanctions

1 Without prejudice to the powers of competent authorities in accordance with Article 24 and the right of Member States to provide for and impose criminal sanctions, Member States shall lay down rules on administrative measures and sanctions applicable to breaches of the national provisions adopted in transposition of this Directive and shall take all measures necessary to ensure that they are implemented. Those administrative measures and sanctions shall be effective, proportionate and dissuasive.

2 Without prejudice to Article 7, Member States shall ensure that where obligations apply to legal entities, in the event of a breach, sanctions can be applied, subject to the conditions laid down in national law, to the members of administrative, management or supervisory bodies of the legal entity concerned, and to other individuals who are responsible for the breach under national law.

ARTICLE 28a
Breaches

Article 28b shall apply at least to the following breaches:

(a) failure by the issuer to make public, within the required time limit, information required under the national provisions adopted in transposition of Articles 4, 5, 6, 14 and 16;

(b) failure by the natural or the legal person to notify, within the required time limit, the acquisition or disposal of a major holding in accordance with the national provisions adopted in transposition of Articles 9, 10, 12, 13 and 13a.

ARTICLE 28b
Sanctioning powers

1 In the case of breaches referred to in Article 28a, competent authorities shall have the power to impose at least the following administrative measures and sanctions:

(a) a public statement indicating the natural person or the legal entity responsible and the nature of the breach;

(b) an order requiring the natural person or the legal entity responsible to cease the conduct constituting the breach and to desist from any repetition of that conduct;

(c) administrative pecuniary sanctions of;

(i) in the case of a legal entity,

— up to EUR 10 000 000 or up to 5 % of the total annual turnover according to the last available annual accounts approved by the management body; where the legal entity is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial accounts pursuant to Directive 2013/34/EU, the relevant total turnover shall be the total annual turnover or the corresponding type of income pursuant to the relevant accounting Directives according to the last available consolidated annual accounts approved by the management body of the ultimate parent undertaking, or

— up to twice the amount of the profits gained or losses avoided because of the breach, where those can be determined,

whichever is higher;

(ii) in the case of a natural person:

— up to EUR 2 000 000, or

— up to twice the amount of the profits gained or losses avoided because of the breach, where those can be determined,

whichever is higher.

In Member States where the euro is not the official currency, the corresponding value to euro in the national currency shall be calculated taking into account the official exchange rate on the date of entry into force of Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose

securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC[19].

2 Without prejudice to the powers of competent authorities under Article 24 and the right of Member States to impose criminal sanctions, Member States shall ensure that their laws, regulations or administrative provisions provide for the possibility of suspending the exercise of voting rights attached to shares in the event of breaches as referred to in point (b) of Article 28a. Member States may provide that the suspension of voting rights is to apply only to the most serious breaches.

3 Member States may provide for additional sanctions or measures and for higher levels of administrative pecuniary sanctions than those provided for in this Directive.

ARTICLE 28c
Exercise of sanctioning powers

1 Member States shall ensure that, when determining the type and level of administrative sanctions or measures, the competent authorities take into account all relevant circumstances, including where appropriate:

(a) the gravity and the duration of the breach;

(b) the degree of responsibility of the natural person or legal entity responsible;

(c) the financial strength of the natural person or legal entity responsible, for example as indicated by the total turnover of the legal entity responsible or the annual income of the natural person responsible;

(d) the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as they can be determined;

(e) the losses sustained by third parties as a result of the breach, in so far as they can be determined;

(f) the level of cooperation of the natural person or legal entity responsible with the competent authority;

(g) previous breaches by the natural person or legal entity responsible.

2 The processing of personal data collected in or for the exercise of the supervisory and investigatory powers in accordance with this Directive shall be carried out in accordance with Directive 95/46/EC and Regulation (EC) No 45/2001 where relevant.

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.

[19] OJ L 294, 6.11.2013, p. 13.

CHAPTER VIB
PUBLICATION OF DECISIONS

ARTICLE 29
Publication of decisions

1 Member States shall provide that competent authorities are to publish every decision on sanctions and measures imposed for a breach of this Directive without undue delay, including at least information on the type and nature of the breach and the identity of natural persons or legal entities responsible for it.

However, competent authorities may delay publication of a decision, or may publish the decision on an anonymous basis in a manner which is in conformity with national law, in any of the following circumstances:

(a) where, in the event that the sanction is imposed on a natural person, publication of personal data is found to be disproportionate by an obligatory prior assessment of the proportionality of such publication;

(b) where publication would seriously jeopardise the stability of the financial system or an ongoing official investigation;

(c) where publication would, in so far as can be determined, cause disproportionate and serious damage to the institutions or natural persons involved.

2 If an appeal is submitted against the decision published under paragraph 1, the competent authority shall be obliged either to include information to that effect in the publication at the time of the publication or to amend the publication if the appeal is submitted after the initial publication.

CHAPTER VII
TRANSITIONAL AND FINAL PROVISIONS

ARTICLE 30
Transitional provisions

1 By way of derogation from Article 5(3) of this Directive, the home Member State may exempt from disclosing financial statements in accordance with Regulation (EC) No 1606/2002 issuers referred to in Article 9 of that Regulation for the financial year starting on or after 1 January 2006.

2 Notwithstanding Article 12(2), a shareholder shall notify the issuer at the latest two months after the date in Article 31(1) of the proportion of voting rights and capital it holds, in accordance with Articles 9, 10 and 13, with issuers at that date, unless it has already made a notification containing equivalent information before that date.

Notwithstanding Article 12(6), an issuer shall in turn disclose the information received in those notifications no later than three months after the date in Article 31(1).

3 Where an issuer is incorporated in a third country, the home Member State may exempt such issuer only in respect of those debt securities which have already been admitted to trading on a regulated market in the Community prior to 1 January 2005 from drawing up its financial statements in accordance with Article 4(3) and its management report in accordance with Article 4(5) as long as

(a) the competent authority of the home Member State acknowledges that annual financial statements prepared by issuers from such a third country give a true and fair view of the issuer's assets and liabilities, financial position and results;

(b) the third country where the issuer is incorporated has not made mandatory the application of international accounting standards referred to in Article 2 of Regulation (EC) No 1606/2002; and

(c) the Commission has not taken any decision in accordance with Article 23(4)(ii) as to whether there is an equivalence between the abovementioned accounting standards and

— the accounting standards laid down in the law, regulations or administrative provisions of the third country where the issuer is incorporated, or

— the accounting standards of a third country such an issuer has elected to comply with.

4 The home Member State may exempt issuers only in respect of those debt securities which have already been admitted to trading on a regulated market in the Community prior to 1 January 2005 from disclosing half-yearly financial report in accordance with Article 5 for 10 years following 1 January 2005, provided that the home Member State had decided to allow such issuers to benefit from the provisions of Article 27 of Directive 2001/34/EC at the point of admission of those debt securities.

ARTICLE 31
Transposition

1 Member States shall take the necessary measures to comply with this Directive by 20 January 2007. They shall forthwith inform the Commission thereof.

When Member States adopt these measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

2 Where Member States adopt measures pursuant to Article 3(1), 8(2) or 8(3) or Article 30, they shall immediately communicate those measures to the Commission and to the other Member States.

ARTICLE 32
Amendments

With effect from the date specified in Article 31(1), Directive 2001/34/EC shall be amended as follows:

(1) In Article 1, points (g) and (h) shall be deleted;

(2) Article 4 shall be deleted;

(3) In Article 6, paragraph 2 shall be deleted;

(4) In Article 8, paragraph 2 shall be replaced by the following:

‘2. Member States may make the issuers of securities admitted to official listing subject to additional obligations, provided that those additional obligations apply generally for all issuers or for individual classes of issuers’;

(5) Articles 65 to 97 shall be deleted;

(6) Articles 102 and 103 shall be deleted;

(7) In Article 107(3), the second subparagraph shall be deleted;

(8) In Article 108, paragraph 2 shall be amended as follows:

(a) in point (a), the words 'periodic information to be published by the companies of which shares are admitted' shall be deleted;

(b) point (b) shall be deleted;

(c) point (c)(iii) shall be deleted;

(d) point (d) shall be deleted.

References made to the repealed provisions shall be construed as being made to the provisions of this Directive.

ARTICLE 33
Review

The Commission shall by 30 June 2009 report on the operation of this Directive to the European Parliament and to the Council including the appropriateness of ending the exemption for existing debt securities after the 10-year period as provided for by Article 30(4) and its potential impact on the European financial markets.

ARTICLE 34
Entry into force

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

ARTICLE 35
Addressees

This Directive is addressed to the Member States.

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 (the "Audit Directive")

CHAPTER I
SUBJECT MATTER AND DEFINITIONS

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.

~~Article 29 of this Directive shall not apply to the statutory audit of annual and consolidated financial statements of public interest entities unless specified in Regulation (EU) No 537/2014 of the European Parliament and the Council[1]~~

ARTICLE 2
Definitions

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

1 "**statutory audit**" means an audit of annual financial statements or consolidated financial statements in so far as:

(a) required by Union law;

(b) required by national law as regards small undertakings;

(c) voluntarily carried out at the request of small undertakings which meets national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as statutory audits;

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;

~~[1] Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (OJ L 158, 27.5.2014, p. 77).~~

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;

7 "**network**" means the larger structure:

— which is aimed at cooperation and to which a statutory auditor or an audit firm belongs, and

— which is clearly aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources;

8 "**affiliate of an audit firm**" means any undertaking, regardless of its legal form, which is connected to an audit firm by means of common ownership, control or management;

9 "**audit report**" means the report referred to in Article 51a of Directive 78/660/EEC and Article 37 of Directive 83/349/EEC issued by the statutory auditor or audit firm;

10 "**competent authorities**" means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to "**competent authority**" in a specific Article means a reference to the authority responsible for the functions referred to in that Article;

12 "**international accounting standards**" means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);

13 "**public-interest entities**" means:

(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;

(b) credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council[1], other than those referred to in Article 2 of that Directive;

(c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC; or

(d) entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees;

14 "**cooperative**" means a European Cooperative Society as defined in Article 1 of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE)[2], or any other cooperative for which a statutory audit is required under Community law, such as credit institutions as defined in point 1 of Article 1 of Directive 2000/12/EC and insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC;

15 "**non-practitioner**" means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three years immediately preceding that

[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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).
[2] OJ L 207, 18.8.2003, p. 1.

involvement, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm;

16 "**key-audit partner(s)**" mean(s):

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

(b) in the case of a group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit 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 audit report;

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) 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;

17 "**medium-sized undertakings**" means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU of the European Parliament and of the Council[3];

18 "**small undertakings**" means the undertakings referred to in Article 1(1) and Article 3(2) of Directive 2013/34/EU;

19 "**home Member State**" means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1);

20 "**host Member State**" means a Member State in which a statutory auditor approved by his or her home Member State seeks to be also approved in accordance with Article 14, or a Member State in which an audit firm approved by its home Member State seeks to be registered or is registered in accordance with Article 3a;

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;

[3] 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).

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[4] for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of Directive 2013/34/EU.

CHAPTER II
APPROVAL, CONTINUING EDUCATION AND MUTUAL RECOGNITION

ARTICLE 3
Approval of statutory auditors and audit firms

1 A statutory audit shall be carried out only by statutory auditors or audit firms which are approved by the Member State requiring the statutory audit.

2 Each Member State shall designate the competent authority to be responsible for approving statutory auditors and audit firms.

3 Without prejudice to Article 11, the competent authorities of the Member States may approve as statutory auditors only natural persons who satisfy at least the conditions laid down in Articles 4 and 6 to 10.

4 The competent authorities of the Member States may approve as audit firms only those entities which satisfy the following conditions:

(a) the natural persons who carry out statutory audits on behalf of an audit firm must satisfy at least the conditions for statutory audit imposed by Article~~s~~ 4 ~~and~~, Article 6 ~~to 12~~(1), Article 7(1), Article 8(1) and (2), Article 9, Article 10(1), first subparagraph, Article 11 and Article 12 of this Directive and must be approved as statutory auditors in the Member State concerned;

(b) a majority of the voting rights in an entity must be held by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions for statutory audit imposed by Article~~s~~ 4 ~~and~~, Article 6 ~~to 12~~(1), Article 7(1), Article 8(1) and (2), Article 9, Article 10(1), first subparagraph, Article 11, and Article 12 of this Directive. Member States may provide that such natural persons must also have been approved in another Member State. For the purpose of the statutory audit of cooperatives, savings banks and similar entities as referred to in Article 45 of Directive 86/635/EEC, a subsidiary or legal successor of a cooperative, savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC, Member States may lay down other specific provisions in relation to voting rights;

(c) a majority — up to a maximum of 75 % — of the members of the administrative or management body of the entity must be audit firms which are approved in any Member State or natural persons who satisfy at least the conditions for statutory audit imposed ~~by~~ under Article~~s~~ 4, ~~and~~, Article 6 ~~to 12~~(1), Article 7(1), Article 8(1) and 8(2), Article 9, Article 10(1), first subparagraph, Article 11 and Article 12 of this Directive. Member States may provide that such natural persons must also have been approved in another Member State. Where such a body has no more than two members, one of those members must satisfy at least the conditions in this point;

(d) the firm must satisfy the condition imposed by Article 4.

Member States may set additional conditions only in relation to point (c). Such conditions shall be proportionate to the objectives pursued and shall not go beyond what is strictly necessary.

[4] 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).

ARTICLE 3a
Recognition of audit firms

1 By way of derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with point (a) of Article 3(4) in the host Member State.

2 An audit firm that wishes to carry out statutory audits in a Member State other than its home Member State shall register with the competent authority in the host Member State in accordance with Articles 15 and 17.

3 The competent authority in the host Member State shall register the audit firm if it is satisfied that the audit firm is registered with the competent authority in the home Member State. Where the host Member State intends to rely on a certificate attesting to the registration of the audit firm in the home Member State, the competent authority in the host Member State may require that the certificate issued by the competent authority in the home Member State be not more than three months old. The competent authority in the host Member State shall inform the competent authority in the home Member State of the registration of the audit firm.

ARTICLE 4
Good repute

The competent authorities of a Member State may grant approval only to natural persons or firms of good repute.

ARTICLE 5
Withdrawal of approval

1 Approval of a statutory auditor or an audit firm shall be withdrawn if the good repute of that person or firm has been seriously compromised. Member States may, however, provide for a reasonable period of time for the purpose of meeting the requirements of good repute.

2 Approval of an audit firm shall be withdrawn if any of the conditions imposed in Article 3(4), points (b) and (c) is no longer fulfilled. Member States may, however, provide for a reasonable period of time for the purpose of fulfilling those conditions.

3 Where the approval of a statutory auditor or of an audit firm is withdrawn for any reason, the competent authority of the home Member State where the approval is withdrawn shall communicate that fact and the reasons for the withdrawal to the relevant competent authorities of host Member States where the statutory auditor or the audit firm is also registered in accordance with Article 3a, point (c) of Article 16(1) and point (i) of Article 17(1).

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.

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.

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 p~~P~~art 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.

ARTICLE 8
Test of theoretical knowledge

1 The test of theoretical knowledge included in the examination shall cover the following subjects in particular:

(a) general accounting theory and principles;

(b) legal requirements and standards relating to the preparation of annual and consolidated accounts;

(c) international accounting standards;

(d) financial analysis;

(e) cost and management accounting;

(f) risk management and internal control;

(g) auditing and professional skills;

(h) legal requirements and professional standards relating to statutory audit and statutory auditors;

(i) international auditing standards as referred to in Article 26;

(j) professional ethics and independence.

2 It shall also cover at least the following subjects insofar as they are relevant to auditing:

(a) company law and corporate governance;

(b) the law of insolvency and similar procedures;

(c) tax law;

(d) civil and commercial law;

(e) social security law and employment law;

(f) information technology and computer systems;

(g) business, general and financial economics;

(h) mathematics and statistics;

(i) basic principles of the financial management of undertakings.

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;

(c) due diligence processes with regard to sustainability matters;

(d) legal requirements and assurance standards for the sustainability reporting referred to in Article 26a.

ARTICLE 9
Exemptions

1 By way of derogation from Articles 7 and 8, a Member State may provide that a person who has passed a university or equivalent examination or holds a university degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of theoretical knowledge in the subjects covered by that examination or degree.

2 By way of derogation from Article 7, a Member State may provide that a holder of a university degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of the ability to apply in practice his or her theoretical knowledge of such subjects if he or she has received practical training in those subjects attested by an examination or diploma recognised by the State.

ARTICLE 10
Practical training

1 In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.

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.

2 Member States shall ensure that all training is carried out with persons providing adequate guarantees regarding their ability to provide practical training.

ARTICLE 11
Qualification through long-term practical experience

A Member State may approve a person who does not satisfy the conditions laid down in Article 6 as a statutory auditor, if he or she can show either:

(a) that he or she has, for 15 years, engaged in professional activities which have enabled him or her to acquire sufficient experience in the fields of finance, law and accountancy, and has passed the examination of professional competence referred to in Article 7, or

(b) that he or she has, for seven years, engaged in professional activities in those fields and has, in addition, undergone the practical training referred to in Article 10 and passed the examination of professional competence referred to in Article 7.

ARTICLE 12
Combination of practical training and theoretical instruction

1 Member States may provide that periods of theoretical instruction in the subjects ~~fields~~ 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 ~~in~~ under the first subparagraph of Article 10(1).

ARTICLE 13
Continuing education

Member States shall ensure that statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level, and that failure to respect the continuing education requirements is subject to appropriate sanctions as referred to in Article 30.

ARTICLE 14
Approval of statutory auditors from another Member State

1 The competent authorities shall establish procedures for the approval of statutory auditors who have been approved in other Member States. Those procedures shall not go beyond the requirement to complete an adaptation period as defined in point (g) of Article 3(1) of Directive 2005/36/EC of the European Parliament and of the Council[5] or to pass an aptitude test as defined in point (h) of that provision.

2 The host Member State shall decide whether the applicant seeking approval is to be subject to an adaptation period as defined in point (g) of Article 3(1) of Directive 2005/36/EC or an aptitude test as defined in point (h) of that provision.

The adaptation period shall not exceed three years and the applicant shall be subject to an assessment.

The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned. It shall cover only the statutory auditor's adequate

[5] Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications (OJ L 255, 30.9.2005, p. 22).

knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits.

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.

3 The competent authorities shall cooperate within the framework of the CEAOB with a view to achieving a convergence of the requirements of the adaptation period and the aptitude test. They shall enhance the transparency and predictability of the requirements. They shall cooperate with the CEAOB and with the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to statutory audits of public-interest entities.

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).

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.

CHAPTER III
REGISTRATION

ARTICLE 15
Public register

1 Each Member State shall ensure that statutory auditors and audit firms are entered in a public register in accordance with Articles 16 and 17. In exceptional circumstances, Member States may derogate from the requirements laid down in this Article and Article 16 regarding disclosure only to the extent necessary to mitigate an imminent and significant threat to the personal security of any person.

2 Member States shall ensure that each statutory auditor and audit firm is identified in the public register by an individual number. Registration information shall be stored in the register in electronic form and shall be electronically accessible to the public.

3 The public register shall also contain the name and address of the competent authorities responsible for approval as referred to in Article 3, for quality assurance as referred to in Article 29, for investigations and penalties on statutory auditors and audit firms as referred to in Article 30, and for public oversight as referred to in Article 32.

4 Member States shall ensure that the public register is fully operational by 29 June 2009.

ARTICLE 16
Registration of statutory auditors

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;

(de) 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.

2 Third-country auditors registered in accordance with Article 45 shall be clearly indicated in the register as such and not as statutory auditors.

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.

ARTICLE 17
Registration of audit firms

1 As regards audit firms, the public register shall contain at least the following information:

(a) name, address and registration number;

(b) legal form;

(c) contact information, the primary contact person and, where applicable, the website address;

(d) address of each office in the Member State;

(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;

(f) names and business addresses of all owners and shareholders;

(g) names and business addresses of all members of the administrative or management body;

(h) if applicable, the membership of a network and a list of the names and addresses of member firms and affiliates or an indication of the place where such information is publicly available;

(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;

(j) where applicable, whether the audit firm is registered pursuant to Article 3a(3).

2 Third-country audit entities registered in accordance with Article 45 shall be clearly indicated in the register as such and not as audit firms.

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.

ARTICLE 18
Updating of registration information

Member States shall ensure that statutory auditors and audit firms notify the competent authorities in charge of the public register without undue delay of any change of information contained in the public register. The register shall be updated without undue delay after notification.

ARTICLE 19
Responsibility for registration information

The information provided to the relevant competent authorities in accordance with Articles 16, 17 and 18 shall be signed by the statutory auditor or audit firm. Where the competent authority provides for the information to be made available electronically, that can, for example, be done by means of an electronic signature as defined in point 1 of Article 2 of Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures[6].

ARTICLE 20
Language

1 The information entered in the public register shall be drawn up in one of the languages permitted by the language rules applicable in the Member State concerned.

2 Member States may additionally allow the information to be entered in the public register in any other official language(s) of the Community. Member States may require the translation of the information to be certified.

In all cases, the Member State concerned shall ensure that the register indicates whether or not the translation is certified.

ARTICLE 20a
Accessibility of information on the European single access point

1 From 10 January 2030, Member States shall ensure that the information referred to in Article 30c of this Directive is made accessible on the European single access point (ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council[7]. For that purpose, the collection body as defined in Article 2, point (2), of that Regulation shall be the competent authority pursuant to this Directive.

Member States shall ensure that the information complies with the following requirements:

(a) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859;

(b) be accompanied by the following metadata:

[6] OJ L 13, 19.1.2000, p. 12.
[7] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OL L, 2023/2859, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2859/oj).

(i) all the names of the statutory auditor or audit firm to which the information relates;

(ii) where available, the legal entity identifier of the audit firm, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

(iii) the type of information, as classified pursuant to Article 7(4), point (c), of that Regulation;

(iv) an indication of whether the information contains personal data.

2 From 10 January 2030, Member States shall ensure that the information referred to in Article 15 of this Directive is made accessible on ESAP. For that purpose, the collection body as defined in Article 2, point (2), of Regulation (EU) 2023/2859 shall be the public register.

Member States shall ensure that the information complies with the following requirements:

(a) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859;

(b) be accompanied by the following metadata:

(i) all the names of the statutory auditor or audit firm to which the information relates;

(ii) where available, the legal entity identifier of the audit firm, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

(iii) the type of information, as classified pursuant to Article 7(4), point (c), of that Regulation;

(iv) an indication of whether the information contains personal data.

CHAPTER IV
PROFESSIONAL ETHICS, INDEPENDENCE, OBJECTIVITY, CONFIDENTIALITY AND PROFESSIONAL SECRECY

ARTICLE 21
Professional ethics and scepticism

1 Member States shall ensure that all statutory auditors and audit firms are subject to principles of professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care.

2 Member States shall ensure that, when the statutory auditor or the audit firm carries out the statutory audit, he, she or it maintains professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the statutory auditor's or the audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.

The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern.

For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

ARTICLE 22
Independence and objectivity

1 Member States shall ensure that, when carrying out a statutory audit, a statutory auditor or an audit firm, and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, is independent of the audited entity and is not involved in the decision-taking of the audited entity.

Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

Member States shall ensure that a statutory auditor or an audit firm takes all reasonable steps to ensure that, when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or the audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or the audit firm, or any person directly or indirectly linked to the statutory auditor or the audit firm by control.

The statutory auditor or the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:

— the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and

— the audited entity,

as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or the audit firm's independence is compromised.

2 Member States shall ensure that a statutory auditor, an audit firm, their key audit partners, their employees, and any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC[8], do not hold or have a material and direct beneficial interest in, or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by, any audited entity within their area of statutory audit activities, other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance.

3 Member States shall ensure that a statutory auditor or audit firm documents in the audit working papers all significant threats to his, her or its independence as well as the safeguards applied to mitigate those threats.

4 Member States shall ensure that persons or firms referred to in paragraph 2 do not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:

(a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes;

[8] Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions (OJ L 162, 30.4.2004, p. 70).

(b) own financial instruments of any entity related to an audited entity, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;

(c) have had an employment, or a business or other relationship with that audited entity within the period referred in paragraph 1 that may cause, or may be generally perceived as causing, a conflict of interest.

5 Persons or firms referred to in paragraph 2 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.

6 If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires another entity, the statutory auditor or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise the auditor's independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.

As soon as possible, and in any event within three months, the statutory auditor or the audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.

ARTICLE 22a
Employment by audited entities of former statutory auditors or of employees of statutory auditors or audit firms

1 Member States shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm does not, before a period of at least one year, or in the case of statutory audit of public-interest entities a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:

(**a**) take up a key management position in the audited entity;

(**b**) where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;

(**c**) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.

2 Member States shall ensure that employees and partners other than key audit partners of a statutory auditor or of an audit firm carrying out a statutory audit, as well as any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm, do not, when such employees, partners or other natural persons are personally approved as statutory auditors, take up any of the duties referred to in points (a), (b) and (c) of paragraph 1 before a period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement.

ARTICLE 22b
Preparation for the statutory audit and assessment of threats to independence

Member States shall ensure that, before accepting or continuing an engagement for a statutory audit, a statutory auditor or an audit firm assesses and documents the following:

— whether he, she or it complies with the requirements of Article 22 of this Directive;

— whether there are threats to his, her or its independence and the safeguards applied to mitigate those threats;

— whether he, she or it has the competent employees, time and resources needed in order to carry out the statutory audit in an appropriate manner;

— whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Member State requiring the statutory audit;

Member States may provide simplified requirements for the audits referred in points (b) and (c) of point 1 of Article 2.

ARTICLE 23
Confidentiality and professional secrecy

1 Member States shall ensure that all information and documents to which a statutory auditor or audit firm has access when carrying out a statutory audit are protected by adequate rules on confidentiality and professional secrecy.

2 Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive or of Regulation (EU) No 537/2014.

3 Where a statutory auditor or an audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of that entity.

4 A statutory auditor or audit firm who has ceased to be engaged in a particular audit assignment and a former statutory auditor or audit firm shall remain subject to the provisions of paragraphs 1 and 2 with respect to that audit assignment.

5 Where a statutory auditor or an audit firm carries out a statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph 1 of this Article shall not impede the transfer by the statutory auditor or the audit firm of relevant documentation concerning the audit work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking.

A statutory auditor or an audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country, or which forms part of a group issuing statutory consolidated financial statements in a third country, may only transfer the audit working papers or other documents relating to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47.

The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.

ARTICLE 24
Independence and objectivity of the statutory auditors carrying out the statutory audit on behalf of audit firms

Member States shall ensure that the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm, or of an affiliated firm, do not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm.

ARTICLE 24a
Internal organisation of statutory auditors and audit firms

1 Member States shall ensure that a statutory auditor or an audit firm complies with the following organisational requirements:

(**a**) an audit firm shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;

(**b**) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal quality control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

Those internal quality control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor;

(**c**) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at his, her or its disposal or under his, her or its control, and who are directly involved in the statutory audit activities, have appropriate knowledge and experience for the duties assigned;

(**d**) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or the audit firm's internal quality control and the ability of the competent authorities to supervise the statutory auditor's or the audit firm's compliance with the obligations laid down in this Directive and, where applicable, in Regulation (EU) No 537/2014;

(**e**) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence as referred to in 22, 22a and 22b;

(**f**) a statutory auditor or an audit firm shall establish appropriate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file as referred to in Article 24b(5);

(**g**) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit.

The quality control system shall at least cover the policies and procedures described in point (f). In the case of an audit firm, responsibility for the internal quality control system shall lie with a person who is qualified as a statutory auditor;

(**h**) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying out of his, her or its statutory audit activities;

(**i**) a statutory auditor or an audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities;

(**j**) a statutory auditor or an audit firm shall have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the audit;

(**k**) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal quality control mechanisms and arrangements established in accordance with this Directive and, where applicable, Regulation (EU) No 537/2014 and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system, referred to in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.

The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or the audit firm.

Member States may provide simplified requirements for the audits referred in points (b) and (c) of point 1 of Article 2.

Any outsourcing of audit functions as referred to in point (d) of this paragraph shall not affect the responsibility of the statutory auditor or the audit firm towards the audited entity.

2 The statutory auditor or the audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with the requirements set out in paragraph 1 of this Article.

The statutory auditor or the audit firm shall be able to demonstrate to the competent authority that the policies and procedures designed to achieve such compliance are appropriate given the scale and complexity of activities of the statutory auditor or the audit firm.

ARTICLE 24b
Organisation of the work

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 must satisfy at least the conditions imposed by Article 4 and Articles 6 to 12 and must be approved as statutory auditor in the Member State concerned. That key sustainability partner may be (one of) the key audit partner(s). The audit firm shall provide the key sustainability partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.

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.

2 When carrying out the statutory audit, 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.

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.

3 Member States shall ensure that the statutory auditor or the audit firm keeps records of any breaches of the provisions of this Directive and, where applicable, of Regulation (EU) No 537/2014. Member States may exempt statutory auditors and audit firms from this obligation with regard to minor breaches. Statutory auditors and audit firms shall also keep records of any consequence of any breach, including the measures taken to address such breach and to modify their internal quality control system. They shall prepare an annual report containing an overview of any such measures taken and shall communicate that report internally.

When a statutory auditor or an audit firm asks external experts for advice, he, she or it shall document the request made and the advice received.

4 A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:

(**a**) the name, the address and the place of business;

(**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.

5 A statutory auditor or an audit firm shall create an audit file for each statutory audit.

The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b(1) of this Directive, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.

The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this Directive and other applicable legal requirements.

The audit file shall be closed no later than 60 days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014.

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.

6 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.

7 Member States may lay down simplified requirements with regard to paragraphs 3 and 6 for the audits referred to in points (b) and (c) of point 1 of Article 2.

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 ~~audited~~ 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.

ARTICLE 25a
Scope of the statutory audit

Without prejudice to the reporting requirements referred to in Article 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014, the scope of the statutory audit shall not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.

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) 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.

CHAPTER V
AUDITING STANDARDS AND AUDIT REPORTING

ARTICLE 26
Auditing standards

1 Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission in accordance with paragraph 3.

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

2 For the purposes of paragraph 1, 'international auditing standards' means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the statutory audit.

3 The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 48a, the international auditing standards referred to in paragraph 1 in the area of audit practice, independence and internal quality controls of statutory auditors and audit firms for the purposes of the application of those standards within the Union.

The Commission may adopt the international auditing standards only if they:

(a) have been developed with proper due process, public oversight and transparency, and are generally accepted internationally;

(b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive 2013/34/EC;

(c) are conducive to the Union public good; and

(d) do not amend any of the requirements of this Directive or supplement any of its requirements apart from those set out in Chapter IV and Articles 27 and 28.

4 Notwithstanding the second subparagraph of paragraph 1, Member States may impose audit procedures or requirements in addition to the international auditing standards adopted by the Commission, only

(a) if those audit procedures or requirements are necessary in order to give effect to national legal requirements relating to the scope of statutory audits; or

(b) to the extent necessary to add to the credibility and quality of financial statements.

Member States shall communicate the audit procedures or requirements to the Commission at least three months before their entry into force or, in the case of requirements already existing at the time of adoption of an international auditing standard, at the latest within three months of the adoption of the relevant international auditing standard.

5 Where a Member State requires the statutory audit of small undertakings, it may provide that application of the auditing standards referred to in paragraph 1 is to be proportionate to the scale and complexity of the activities of such undertakings. Member States may take measures in order to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings.

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~~ July 202~~6~~7, 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~~ shall adopt the limited assurance standards referred to in the first ~~and second~~ subparagraph~~s~~ ~~only if they~~, ensuring that the standards:

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

(b) contribute a high level of credibility and quality to the annual or consolidated sustainability reporting; and

(c) are conducive to the Union public good.

ARTICLE 27
Statutory audits of consolidated financial statements

1 Member States shall ensure that in the case of a statutory audit of the consolidated financial statements of a group of undertakings:

(a) in relation to the consolidated financial statements, the group auditor bears the full responsibility for the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014 and for, where applicable, the additional report to the audit committee as referred to in Article 11 of that Regulation;

(b) the group auditor evaluates the audit work performed by any third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies), or audit firm(s) for the purpose of the group audit, 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' audit documentation;

(c) the group auditor reviews the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit 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 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 audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of those 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.

Such measures shall, as appropriate, include carrying out additional statutory audit 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 statutory audit of the consolidated financial statements 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 audit work performed by the respective third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including any working papers relevant to the group audit.

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

Where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditor(s) or an audit entity(ies) from a third country, the competent authority may request additional documentation on the audit work performed by any third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.

By way of derogation from the third subparagraph, where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditors or an audit entity or entities from a third country that has no working arrangements as referred to in Article 47, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by such third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the 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 audit 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 or she has undertaken the appropriate procedures in order to gain access to the audit 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.

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.

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.

ARTICLE 28
Audit reporting

1 The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union or Member State concerned, as referred to in Article 26.

2 The audit report shall be in writing and shall:

(a) identify the entity whose annual or consolidated financial statements are the subject of the statutory audit; specify the annual or consolidated financial statements and the date and period they cover; and identify the financial reporting framework that has been applied in their preparation;

(b) include a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;

(c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to:

(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework; and,

(ii) where appropriate, whether the annual financial statements comply with statutory requirements.

If the statutory auditor(s) or the audit firm(s) are unable to express an audit opinion, the report shall contain a disclaimer of opinion;

(d) refer to any other matters to which the statutory auditor(s) or the audit firm(s) draw(s) attention by way of emphasis without qualifying the audit opinion;

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

(f) provide a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;

(g) identify the place of establishment of the statutory auditor(s) or the audit firm(s).

Member States may lay down additional requirements in relation to the content of the audit report.

3 Where the statutory audit 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 statutory audit 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 audit report and shall state the reason for the disagreement.

4 The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the audit report shall be signed by all statutory auditors or at least by the statutory auditors carrying out the statutory audit 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 The report of the statutory auditor or the audit firm on the consolidated financial statements shall comply with the requirements set out in paragraphs 1 to 4. In reporting on the consistency of the management report and the financial statements as required by point (e) of paragraph 2, the statutory auditor or the audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or the audit firms required by this Article may be combined.

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.

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.

CHAPTER VI
QUALITY ASSURANCE

ARTICLE 29
Quality assurance systems

1 Each Member State shall ensure that all statutory auditors and audit firms are subject to a system of quality assurance which meets at least the following criteria:

(a) the quality assurance system shall be organised in such a manner that it is independent of the reviewed statutory auditors and audit firms and is subject to public oversight;

(b) the funding for the quality assurance system shall be secure and free from any possible undue influence by statutory auditors or audit firms;

(c) the quality assurance system shall have adequate resources;

(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;

(e) the selection of reviewers for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under review;

(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;

(g) the quality assurance review shall be the subject of a report which shall contain the main conclusions of the quality assurance review;

(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;

(i) the overall results of the quality assurance system shall be published annually;

(j) recommendations of quality reviews shall be followed up by the statutory auditor or audit firm within a reasonable period;

(k) quality assurance reviews shall be appropriate and proportionate in view of the scale and complexity of the activity of the reviewed statutory auditor or audit firm.

If the recommendations referred to in point (j) are not followed up, the statutory auditor or audit firm shall, if applicable, be subject to the system of disciplinary actions or penalties referred to in Article 30.

2 For the purpose of point (e) of paragraph 1, at least the following criteria shall apply to the selection of reviewers:

(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;

(b) a person shall not be allowed to act as a reviewer in a quality assurance review of a statutory auditor or an audit firm until at least three years have elapsed since that person ceased to be a partner or an employee of, or otherwise associated with, that statutory auditor or audit firm;

(c) reviewers shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be reviewed.

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.

3 For the purpose of point (k) of paragraph 1, Member States shall require competent authorities, when undertaking quality assurance reviews of the statutory audits of annual or consolidated financial statements of medium-sized and small undertakings, to take account of the fact that the auditing standards adopted in accordance with Article 26 are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited entity.

CHAPTER VII
INVESTIGATIONS AND SANCTIONS

ARTICLE 30
Systems of investigations and sanctions

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 ~~Member States'~~ 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.

3 Member States shall provide that measures taken and sanctions imposed on statutory auditors and audit firms are to be appropriately disclosed to the public. Sanctions shall include the possibility of withdrawal of approval. Member States may decide that such disclosure shall not contain personal data within the meaning of point (a) of Article 2 of Directive 95/46/EC.

4 By 17 June 2016 the Member States shall notify the rules referred to in paragraph 2 to the Commission. They shall notify the Commission without delay of any subsequent amendment thereto.

ARTICLE 30a
Sanctioning powers

1 Member States shall provide for competent authorities to have the power to take and/or impose at least the following administrative measures and sanctions for breaches of the provisions of this Directive and, where applicable, of Regulation (EU) No 537/2014:

(a) a notice requiring the natural or legal person responsible for the breach to cease the conduct and to abstain from any repetition of that conduct;

(b) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;

(c) a temporary prohibition, of up to three years' duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or signing audit reports;

(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;

(d) a declaration that the audit report does not meet the requirements of Article 28 of this Directive or, where applicable, Article 10 of Regulation (EU) No 537/2014;

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

(e) a temporary prohibition, of up to three years' duration, banning a member of an audit firm or a member of an administrative or management body of a public-interest entity from exercising functions in audit firms or public-interest entities;

(f) the imposition of administrative pecuniary sanctions on natural and legal persons.

2 Member States shall ensure that the competent authorities are able to exercise their sanctioning powers in accordance with this Directive and national law and in any of the following ways:

(a) directly;

(b) in collaboration with other authorities;

(c) by application to the competent judicial authorities.

3 Member States may confer on competent authorities other sanctioning powers in addition to those referred to in paragraph 1.

4 By way of derogation from paragraph 1, Member States may confer on authorities supervising public-interest entities, when they are not designated as the competent authority pursuant to Article 20(2) of Regulation (EU) No 537/2014, powers to impose sanctions for breaches of reporting duties provided for by that Regulation.

ARTICLE 30b
Effective application of sanctions

When laying down rules pursuant to Article 30, Member States shall require that, when determining the type and level of administrative sanctions and measures, competent authorities are to take into account all relevant circumstances, including where appropriate:

(a) the gravity and the duration of the breach;

(b) the degree of responsibility of the responsible person;

(c) the financial strength of the responsible person, for example as indicated by the total turnover of the responsible undertaking or the annual income of the responsible person, if that person is a natural person;

(d) the amounts of the profits gained or losses avoided by the responsible person, in so far as they can be determined;

(e) the level of cooperation of the responsible person with the competent authority;

(f) previous breaches by the responsible legal or natural person.

Additional factors may be taken into account by competent authorities, where such factors are specified in national law.

ARTICLE 30c
Publication of sanctions and measures

1 Competent authorities shall publish on their official website at least any administrative sanction imposed for breach of the provisions of this Directive or of Regulation (EU) No 537/2014 in respect of which all rights of appeal have been exhausted or have expired, as soon as reasonably practicable immediately after the person sanctioned has been informed of that decision, including information concerning the type and nature of the breach and the identity of the natural or legal person on whom the sanction has been imposed.

Where Member States permit publication of sanctions which are subject to appeal, competent authorities shall, as soon as reasonably practicable, also publish on their official website information concerning the status and outcome of any appeal.

2 Competent authorities shall publish the sanctions imposed on an anonymous basis, and in a manner which is in conformity with national law, in any of the following circumstances:

(a) where, in the event that the sanction is imposed on a natural person, publication of personal data is shown to be disproportionate by an obligatory prior assessment of the proportionality of such publication;

(b) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;

(c) where publication would cause disproportionate damage to the institutions or individuals involved.

3 Competent authorities shall ensure that any publication in accordance with paragraph 1 is of proportionate duration and that it remains on their official website for a minimum period of five years after all rights of appeal have been exhausted or have expired.

The publication of sanctions and measures and of any public statement shall respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life and the right to the protection of personal data. Member States may decide that such publication or any public statement is not to contain personal data within the meaning of point (a) of Article 2 of Directive 95/46/EC.

ARTICLE 30d
Appeal

Member States shall ensure that decisions taken by the competent authority in accordance with this Directive and Regulation (EU) No 537/2014 are subject to a right of appeal.

ARTICLE 30e
Reporting of breaches

1 Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation (EU) No 537/2014 to the competent authorities.

2 The mechanisms referred to in paragraph 1 shall include at least:

(a) specific procedures for the receipt of reports of breaches and their follow-up;

(b) protection of personal data concerning both the person who reports the suspected or actual breach and the person who is suspected of committing, or who has allegedly committed that breach, in compliance with the principles laid down in Directive 95/46/EC;

(c) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him or her, and the right to seek an effective remedy before a tribunal against any decision or measure concerning him or her.

3 Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation (EU) No 537/2014 internally through a specific channel.

ARTICLE 30f
Exchange of information

1 Competent authorities shall provide the CEAOB annually with aggregated information regarding all administrative measures and all sanctions imposed in accordance with this chapter. The CEAOB shall publish that information in an annual report.

2 Competent authorities shall immediately communicate to the CEAOB all temporary prohibitions referred to in points c) and e) of Article 30a(1).

CHAPTER VIII
PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES

ARTICLE 32
Principles of public oversight

1 Member States shall organise an effective system of public oversight for statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7, and shall designate a competent authority responsible for such oversight.

2 All statutory auditors and audit firms shall be subject to public oversight.

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.

The competent authority may engage practitioners to carry out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of its tasks. In such instances, both the practitioners and the experts shall not be involved in any decision-making of the competent authority.

4 The competent authority shall have the ultimate responsibility for the oversight of:

(a) the approval and registration of statutory auditors and audit firms;

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

(c) continuing education;

(d) quality assurance systems;

(e) investigative and administrative disciplinary systems.

4a Member States shall designate one or more competent authorities to carry out the tasks provided for in this Directive. Member States shall designate only one competent authority bearing the ultimate responsibility for the tasks referred in this Article except for the purpose of the statutory audit of cooperatives, savings banks or similar entities as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or legal successor of a cooperative, savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC.

Member States shall inform the Commission of their designation.

The competent authorities shall be organised in such a manner that conflicts of interests are avoided.

4b Member States may delegate or allow the competent authority to delegate any of its tasks to other authorities or bodies designated or otherwise authorised by law to carry out such tasks.

The delegation shall specify the delegated tasks and the conditions under which they are to be carried out. The authorities or bodies shall be organised in such a manner that conflicts of interest are avoided.

Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim the delegated competences on a case-by-case basis.

5 The competent authority shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.

Where a competent authority engages experts to carry out specific assignments, it shall ensure that there are no conflicts of interest between those experts and the statutory auditor or the audit firm in question. Such experts shall comply with the same requirements as those provided for in point (a) of Article 29(2).

The competent authority shall be given the powers necessary to enable it to carry out its tasks and responsibilities under this Directive.

6 The competent authority shall be transparent. This shall include the publication of annual work programmes and activity reports.

7 The system of public oversight shall be adequately funded and shall have adequate resources to initiate and conduct investigations, as referred to in paragraph 5. The funding of the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms.

ARTICLE 33
Cooperation between public oversight systems at Community level

Member States shall ensure that regulatory arrangements for public oversight systems permit effective cooperation at Community level in respect of Member States' oversight activities. To that end, each Member State shall make one entity specifically responsible for ensuring that cooperation.

ARTICLE 34
Mutual recognition of regulatory arrangements between Member States

1 Regulatory arrangements of Member States shall respect the principle of home-country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office.

Without prejudice to the first subparagraph, audit firms approved in one Member State that perform audit services in another Member State pursuant to Article 3a shall be subject to quality assurance

review in the home Member State and oversight in the host Member State of any audit carried out there.

2 In the case of a statutory audit of consolidated financial statements, the Member State requiring that statutory audit may not impose additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or an audit firm carrying out a statutory audit of a subsidiary established in another Member State.

3 In the case of a company whose securities are traded on a regulated market in a Member State other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or an audit firm carrying out the statutory audit of the annual or consolidated financial statements of that company.

4 Where a statutory auditor or an audit firm is registered in any Member State as a consequence of approval in accordance with Article 3 or Article 44 and that statutory auditor or audit firm provides audit reports concerning annual financial statements or consolidated financial statements as referred to in Article 45(1), the Member State in which the statutory auditor or the audit firm is registered shall subject that statutory auditor or audit firm to its systems of oversight, its quality assurance systems and its systems of investigation and sanctions.

ARTICLE 36
Professional secrecy and regulatory cooperation between Member States

1 The competent authorities of Member States responsible for approval, registration, quality assurance, inspection and discipline, the competent authorities designated in accordance with Article 20 of Regulation (EU) No 537/2014 and the relevant European Supervisory Authorities shall cooperate with each other whenever necessary for the purpose of carrying out their respective responsibilities and tasks under this Directive and Regulation (EU) No 537/2014. The competent authorities in a Member State shall render assistance to competent authorities in other Member States and to the relevant European Supervisory Authorities. In particular, competent authorities shall exchange information and cooperate in investigations relating to the carrying-out of statutory audits.

2 The obligation of professional secrecy shall apply to all persons who are employed or who have been employed by competent authorities. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the laws, regulations or administrative procedures of a Member State.

3 Paragraph 2 shall not prevent competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject. The obligation of professional secrecy shall also apply to any other person to whom the competent authorities have delegated tasks in relation to the purposes set out in this Directive.

4 Competent authorities shall, on request, and without undue delay, supply any information required for the purpose referred to in paragraph 1. Where necessary, the competent authorities receiving any such request shall, without undue delay, take the necessary measures to gather the required information. Information thus supplied shall be covered by the obligation of professional secrecy to which the persons employed or formerly employed by the competent authorities that received the information are subject.

If the requested competent authority is not able to supply the required information without undue delay, it shall notify the requesting competent authority of the reasons therefor.

The competent authorities may refuse to act on a request for information where:

(a) supplying information might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or

(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or

(c) final judgment has already been passed in respect of the same actions and on the same persons by the competent authorities of the requested Member State.

Without prejudice to the obligations to which they are subject in judicial proceedings, competent authorities or European Supervisory Authorities which receive information pursuant to paragraph 1 may use it only for the exercise of their functions within the scope of this Directive or Regulation (EU) No 537/2014 and in the context of administrative or judicial proceedings specifically related to the exercise of those functions.

4a Member States may allow competent authorities to transmit to the competent authorities responsible for supervising public-interest entities, to central banks, to the European System of Central Banks and to the European Central Bank, in their capacity as monetary authorities, and to the European Systemic Risk Board, confidential information intended for the performance of their tasks. Such authorities or bodies shall not be prevented from communicating to the competent authorities information that the competent authorities may need in order to carry out their duties under Regulation (EU) No 537/2014.

5 Where a competent authority concludes that activities contrary to the provisions of this Directive are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.

6 A competent authority of one Member State may also request that an investigation be carried out by the competent authority of another Member State on the latter's territory.

It may further request that some of its own personnel be allowed to accompany the personnel of the competent authority of that other Member State in the course of the investigation.

The investigation shall be subject throughout to the overall control of the Member State on whose territory it is conducted.

The competent authorities may refuse to act on a request for an investigation to be carried out as provided for in the first subparagraph, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the second subparagraph, where:

(a) such an investigation might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or

(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or

(c) final judgment has already been passed in respect of the same actions on such persons by the competent authorities of the requested Member State.

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.

CHAPTER IX
APPOINTMENT AND DISMISSAL

ARTICLE 37
Appointment of statutory auditors or audit firms

1 The statutory auditor or audit firm shall be appointed by the general meeting of shareholders or members of the audited entity.

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

2 Member States may allow alternative systems or modalities for the appointment of the statutory auditor or audit firm, provided that those systems or modalities are designed to ensure the independence of the statutory auditor or audit firm from the executive members of the administrative body or from the managerial body of the audited entity.

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

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.

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.

ARTICLE 38
Dismissal and resignation of statutory auditors or audit firms

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, ~~or~~ audit procedures or, where applicable, on sustainability reporting or assurance procedures shall not be proper grounds for dismissal.

2 Member States shall ensure that the audited entity and the statutory auditor or audit firm inform the authority or authorities responsible for public oversight concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and give an adequate explanation of the reasons therefor.

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

3 In the case of a statutory audit of a public-interest entity, Member States shall ensure that it is permissible for

(a) shareholders representing 5 % or more of the voting rights or of the share capital;

(b) the other bodies of the audited entities when defined by national legislation; or

(c) the competent authorities referred to in Article 32 of this Directive or designated in accordance with Article 20(1) of Regulation (EU) No 537/2014 or, when provided for by national law, with Article 20(2) of that Regulation,

to bring a claim before a national court for the dismissal of the statutory auditor(s) or the audit firm(s) where there are proper grounds for so doing.

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

CHAPTER X
AUDIT COMMITTEE

ARTICLE 39
Audit committee

1 Member States shall ensure that each public-interest entity has an audit committee. The audit committee shall be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity. It shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body.

At least one member of the audit committee shall have competence in accounting and/or auditing.

The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

A majority of the members of the audit committee shall be independent of the audited entity. The chairman of the audit committee shall be appointed by its members or by the supervisory body of the audited entity, and shall be independent of the audited entity. Member States may require the chairman of the audit committee to be elected annually by the general meeting of shareholders of the audited entity.

2 By way of derogation from paragraph 1, Member States may decide that in the case of public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC of the European Parliament and of the Council[9], the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided that where the chairman of such a body is an executive member, he or she shall not act as chairman whilst such body is performing the functions of the audit committee.

Where an audit committee forms part of the administrative body or of the supervisory body of the audited entity in accordance with paragraph 1, Member States may permit or require the administrative body or the supervisory body, as appropriate, to perform the functions of the audit committee for the purpose of the obligations set out in this Directive and in Regulation (EU) No 537/2014.

[9] Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (OJ L 345, 31.12.2003, p. 64).

3 By way of derogation from paragraph 1, Member States may decide that the following public-interest entities are not required to have an audit committee:

(a) any public-interest entity which is a subsidiary undertaking within the meaning of point 10 of Article 2 of Directive 2013/34/EU if that entity fulfils the requirements set out in paragraphs 1, 2 and 5 of this Article, Article 11(1), Article 11(2) and Article 16(5) of Regulation (EU) No 537/2014 at group level;

(b) any public-interest entity which is an UCITS as defined in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council[10] or an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU of the European Parliament and of the Council[11];

(c) any public-interest entity the sole business of which is to act as an issuer of asset backed securities as defined in point 5 of Article 2 of Commission Regulation (EC) No 809/2004[12];

(d) any credit institution within the meaning of point 1 of Article 3(1) of Directive 2013/36/EU whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under Directive 2003/71/EC.

The public-interest entities referred to in point (c) shall explain to the public the reasons why they consider that it is not appropriate for them to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.

4 By way of derogation from paragraph 1, Member States may require or allow a public-interest entity not to have an audit committee provided that it has a body or bodies performing equivalent functions to an audit committee, established and functioning in accordance with provisions in place in the Member State in which the entity to be audited is registered. In such a case the entity shall disclose which body carries out those functions and how that body is composed.

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.

5 Where all members of the audit committee are members of the administrative or supervisory body of the audited entity, the Member State may provide that the audit committee is to be exempt from the independence requirements laid down in the fourth subparagraph of paragraph 1.

6 Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, inter alia:

(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

[10] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

[11] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

[12] Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (OJ L 149, 30.4.2004, p. 1).

contributed to the integrity of financial reporting and sustainability reporting respectively, and what the role of the audit committee was in that process;

(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 ~~its~~ 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 ~~audited entity~~ 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~~, and~~ 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;

(f) be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or the audit firm(s) to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of Regulation (EU) No 537/2014 is applied.

CHAPTER XI
INTERNATIONAL ASPECTS

ARTICLE 44
Approval of auditors from third countries

1 Subject to reciprocity, the competent authorities of a Member State may approve a third-country auditor as statutory auditor if that person has furnished proof that he or she complies with requirements equivalent to those laid down in Articles 4 and 6 to 13.

2 The competent authorities of a Member State shall, before granting approval to a third-country auditor who meets the requirements of paragraph 1, apply the requirements laid down in Article 14.

ARTICLE 45
Registration and oversight of third-country auditors and audit entities

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 ~~within the meaning of~~, defined in point (21)~~14~~ of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the

Council[13]~~2004/39/EC~~, except ~~where~~when the undertaking in question is an issuer exclusively of outstanding debt securities for which one of the following applies:

(a) ~~they~~ such securities have been admitted to trading on a regulated market in a Member State, defined in ~~within the meaning of~~ point (~~e~~21) of Article ~~24~~(1) of Directive 2014/65/EU ~~2004/109/EC of the European Parliament and of the Council~~[27] 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) ~~they~~ such securities are admitted to trading on a regulated market in a Member State defined in ~~within the meaning of~~ point (~~e~~21) of Article ~~24~~(1) of Directive 2014/65/EU ~~2004/109/EC~~ 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.

2 Articles 18 and 19 shall apply.

3 Member States shall subject registered third-country auditors and audit entities to their systems of oversight, their quality assurance systems and their systems of investigation and penalties. A Member State may exempt a registered third-country auditor or audit entity from being subject to its quality assurance system if another Member State's or third country's system of quality assurance that has been assessed as equivalent in accordance with Article 46 has carried out a quality review of the third-country auditor or audit entity concerned during the previous three years.

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~~b**) 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~~e**) 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~~d**) 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;

(**de**) the third-country audit entity ~~it~~ 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.

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[13] 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).

[27] ~~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).~~

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, with the exception of Article 7(2), Article 8(3) and Article 10(1), second subparagraph;

(**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~~e~~), (c~~d~~) and (d~~e~~) 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.

5b Member States shall not apply paragraphs 1 to 5a in relation to assurance reports concerning annual or consolidated sustainability reporting, issued for financial years starting during the period from 1 January 2025 to 31 December 2030, in cases where the third-country auditor or audit entity concerned provides the competent authorities of the Member State with the following:

(a) the name and address of the third-country auditor or audit entity concerned and information about its legal structure;

(b) the declaration that the third-country auditor who signs the assurance report acquired knowledge in the area of sustainability reporting and the assurance thereof and the information on the level of such knowledge;

(c) where the third-country auditor or audit entity belongs to a network, a description of that network;

(d) the assurance standards and independence-related requirements which have been applied to the assurance of sustainability reporting concerned;

(e) a description of the internal quality control system of the third-country audit entity that covers the assurance of the sustainability reporting; and

(f) an indication of whether and when the last quality assurance review of the third-country auditor or audit entity for the sustainability assurance engagements was carried out and necessary information about the outcome of that quality assurance review.

Upon receiving the information listed in the first subparagraph, the competent authorities of the Member State shall register the third-country auditor or audit entity concerned for the purposes of assurance of sustainability reporting and make it clear that the registration was done under the transitional registration regime set out in the first subparagraph. If any of the information listed in the first subparagraph is not provided by the third-country auditor or audit entity concerned, the

competent authorities of the Member State shall not register that third-country auditor or audit entity.

6 In order to ensure uniform conditions for the ~~of~~ application of point (c~~d~~) 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 in point (c~~d~~) 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 ~~referred to~~ 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.

ARTICLE 46
Derogation in the case of equivalence

1 Member States may disapply or modify the requirements in Article 45(1) and (3) on the basis of reciprocity only if the third-country auditors or audit entities are subject to systems of public oversight, quality assurance and investigations and penalties in the third country that meet requirements equivalent to those of Articles 29, 30 and 32.

2 In order to ensure uniform conditions for the application of paragraph 1 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). Once the Commission has recognised the equivalence referred to in paragraph 1 of this Article, Member States may decide to rely on such equivalence partially or entirely and thus to disapply or modify the requirements in Article 45(1) and (3) partially or entirely. Member States may assess the equivalence referred to in paragraph 1 of this Article or rely on the assessments carried out by other Member States as long as the Commission has not taken any such decision. If the Commission decides that the requirement of equivalence referred to in paragraph 1 of this Article is not complied with, it may allow the third-country auditors and third-country audit entities concerned to continue their audit activities in accordance with the requirements of the relevant Member State during an appropriate transitional period.

The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria, based on the requirements laid down in Articles 29, 30 and 32, which are to be used in assessing whether the public oversight, quality assurance, investigation and sanctions systems of a third country are equivalent to those of the Union. Such general criteria shall be used by Member States when assessing equivalence at national level in the absence of a Commission decision in respect of the third country concerned.

3 Member States shall communicate to the Commission:

(a) their assessments of the equivalence referred to in paragraph 2; and

(b) the main elements of their cooperative arrangements with third-country systems of public oversight, quality assurance and investigations and penalties, on the basis of paragraph 1.

ARTICLE 47
Cooperation with competent authorities from third countries

1 Member States may allow the transfer to the competent authorities of a third country of audit working papers or other documents held by statutory auditors or audit firms approved by them, and of inspection or investigation reports relating to the audits in question, provided that:

(a) those audit working papers or other documents relate to audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;

(b) the transfer takes place via the home competent authorities to the competent authorities of that third country and at their request;

(c) the competent authorities of the third country concerned meet requirements which have been declared adequate in accordance with paragraph 3;

(d) there are working arrangements on the basis of reciprocity agreed between the competent authorities concerned;

(e) the transfer of personal data to the third country is in accordance with Chapter IV of Directive 95/46/EC.

2 The working arrangements referred to in paragraph 1(d) shall ensure that:

(a) justification as to the purpose of the request for audit working papers and other documents is provided by the competent authorities;

(b) the persons employed or formerly employed by the competent authorities of the third country that receive the information are subject to obligations of professional secrecy;

(ba) the protection of the commercial interests of the audited entity, including its industrial and intellectual property, is not undermined;

(c) the competent authorities of the third country may use audit working papers and other documents only for the exercise of their functions of public oversight, quality assurance and investigations that meet requirements equivalent to those of Articles 29, 30 and 32;

(d) the request from a competent authority of a third country for audit working papers or other documents held by a statutory auditor or audit firm can be refused:

— where the provision of those working papers or documents would adversely affect the sovereignty, security or public order of the Community or of the requested Member State, or

— where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State, or

— where final judgment has already been passed in respect of the same actions and on the same statutory auditors or audit firms by the competent authorities of the requested Member State.

3 In order to facilitate cooperation, the Commission shall be empowered to decide upon the adequacy referred to in point (c) of paragraph 1 of this Article 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 shall take the measures necessary to comply with the Commission's decision.

The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general adequacy criteria in accordance with which the Commission is to assess whether the competent authorities of third countries may be recognised as adequate to cooperate with the competent authorities of Member States on the exchange of audit working papers or other documents held by statutory auditors and audit firms. The general adequacy criteria shall be based on the requirements of Article 36 or essentially equivalent functional results relating to a direct exchange of audit working papers or other documents held by statutory auditors or audit firms.

4 In exceptional cases and by way of derogation from paragraph 1, Member States may allow statutory auditors and audit firms approved by them to transfer audit working papers and other documents directly to the competent authorities of a third country, provided that:

(a) investigations have been initiated by the competent authorities in that third country;

(b) the transfer does not conflict with the obligations with which statutory auditors and audit firms are required to comply in relation to the transfer of audit working papers and other documents to their home competent authority;

(c) there are working arrangements with the competent authorities of that third country that allow the competent authorities in the Member State reciprocal direct access to audit working papers and other documents of that third-country's audit entities;

(d) the requesting competent authority of the third country informs in advance the home competent authority of the statutory auditor or audit firm of each direct request for information, indicating the reasons therefor;

(e) the conditions referred to in paragraph 2 are respected.

6 Member States shall communicate to the Commission the working arrangements referred to in paragraphs 1 and 4.

CHAPTER XII
TRANSITIONAL AND FINAL PROVISIONS

ARTICLE 48
Committee procedure

1 The Commission shall be assisted by a committee (hereinafter referred to as 'the Committee'). That committee shall be a committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council[14].

2 Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

2a Where reference is made to this paragraph, Article 5a(1) to (4) and Article 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

3 By 31 December 2010 and, thereafter, at least every three years, the Commission shall review the provisions concerning its implementing powers and present a report to the European Parliament and to the Council on the functioning of those powers. The report shall examine, in particular, the need for the Commission to propose amendments to this Directive in order to ensure the appropriate scope of the implementing powers conferred on the Commission. The conclusion as to whether or

[14] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing power (OJ L 55, 28.2.2011, p. 13).

not an amendment is necessary shall be accompanied by a detailed statement of reasons. If necessary, the report shall be accompanied by a legislative proposal to amend the provisions conferring implementing powers on the Commission.

ARTICLE 48a
Exercise of the delegation

1 The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2 The power to adopt delegated acts referred to in Articles 26(3), 45(6), 46(2) and 47(3) shall be conferred on the Commission for a period of five years from 16 June 2014. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-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.

The power to adopt delegated acts referred to in Article 26a(3~~2~~) shall be conferred on the Commission for an indeterminate period of time.

3 The delegation of power referred to in Article~~s~~ 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.

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

5 A delegated act adopted pursuant to Article~~s~~ 26(3), Article 26a(3), Article 45(6), Article 46(2) or ~~and~~ 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 50
Repeal of Directive 84/253/EEC

Directive 84/253/EEC shall be repealed with effect from 29 June 2006. References to the repealed Directive shall be construed as references to this Directive.

ARTICLE 51
Transitional provision

Statutory auditors or audit firms that are approved by the competent authorities of the Member States in accordance with Directive 84/253/EEC before the entry into force of the provisions referred to in Article 53(1) shall be considered as having been approved in accordance with this Directive.

ARTICLE 52
Minimum harmonisation

Member States requiring statutory audit may impose more stringent requirements, unless otherwise provided for by this Directive.

ARTICLE 53
Transposition

1 Before 29 June 2008 Member States shall adopt and publish the provisions necessary to comply with this Directive. They shall forthwith inform the Commission thereof.

2 When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

3 Member States shall communicate to the Commission the texts of the main provisions of national law which they adopt in the field covered by this Directive.

ARTICLE 54
Entry into force

This Directive shall enter into force on the 20th day following its publication in the Official Journal of the European Union.

ARTICLE 55
Addressees

This Directive is addressed to the Member States.

REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the "Audit Regulation")

TITLE I
SUBJECT MATTER, SCOPE AND DEFINITIONS

ARTICLE 1
Subject matter

This Regulation lays down requirements for the carrying out of the statutory audit of annual and consolidated financial statements of public-interest entities, rules on the organisation and selection of statutory auditors and audit firms by public-interest entities to promote their independence and the avoidance of conflicts of interest and rules on the supervision of compliance by statutory auditors and audit firms with those requirements.

ARTICLE 2
Scope

1 This Regulation shall apply to the following:

(a) statutory auditors and audit firms carrying out statutory audits of public-interest entities;

(b) public-interest entities.

2 This Regulation shall apply without prejudice to Directive 2006/43/EC.

3 Where a cooperative within the meaning of point (14) of Article 2 of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national provisions to be a member of a non-profit-making auditing entity, the Member State may decide that this Regulation or certain provisions of it shall not apply to the statutory audit of such entity, provided that the principles of independence laid down in Directive 2006/43/EC are complied with by the statutory auditor when carrying out the statutory audit of one of its members and by persons who may be in a position to influence the statutory audit.

4 Where a cooperative within the meaning of point (14) of Article 2 of Directive 2006/43/EC, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or a legal successor of a cooperative, a savings bank or a similar entity as referred to in Article 45 of Directive 86/635/EEC is required or permitted under national provisions to be a member of a non-profit-making auditing entity, an objective, reasonable and informed party would not conclude that the membership-based relationship compromises the statutory auditor's independence, provided that when such an auditing entity is conducting a statutory audit of one of its members, the principles of independence are applied to the statutory auditors carrying out the audit and those persons who may be in a position to influence the statutory audit.

5 The Member State shall inform the Commission and the Committee of European Auditing Oversight Bodies (hereinafter referred to as 'the CEAOB'), referred to in Article 30, of such exceptional situations of non-application of this Regulation or certain provisions of this Regulation. It shall communicate to the Commission and the CEAOB the list of provisions of this Regulation that do not apply to the statutory audit of the entities referred to in paragraph 3 of this Article and the reasons that justified such non-application.

ARTICLE 3
Definitions

For the purposes of this Regulation, the definitions laid down in Article 2 of Directive 2006/43/EC shall apply, except as regards the term 'competent authority' as provided for in Article 20 of this Regulation.

TITLE II
CONDITIONS FOR CARRYING OUT STATUTORY AUDIT OF PUBLIC INTEREST ENTITIES

ARTICLE 4
Audit fees

1 Fees for the provision of statutory audits to public-interest entities shall not be contingent fees.

Without prejudice to Article 25 of Directive 2006/43/EC, for the purposes of the first subparagraph, contingent fees means fees for audit engagements calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. Fees shall not be regarded as being contingent if a court or a competent authority has established them.

2 When the statutory auditor or the audit firm provides to the audited entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services other than those referred to in Article 5(1) of this Regulation, the total fees for such services shall be limited to no more than 70 % of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings.

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.

Member States may provide that a competent authority may, upon a request by the statutory auditor or the audit firm, on an exceptional basis, allow that statutory auditor or audit firm to be exempt from the requirements in the first subparagraph in respect of an audited entity for a period not exceeding two financial years.

3 When the total fees received from a public-interest entity in each of the last three consecutive financial years are more than 15 % of the total fees received by the statutory auditor or the audit firm or, where applicable, by the group auditor carrying out the statutory audit, in each of those financial years, such a statutory auditor or audit firm or, as the case may be, group auditor, shall disclose that fact to the audit committee and discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats. The audit committee shall consider whether the audit engagement should be subject to an engagement quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.

Where the fees received from such a public-interest entity continue to exceed 15 % of the total fees received by such a statutory auditor or audit firm or, as the case may be, by a group auditor carrying out the statutory audit, the audit committee shall decide on the basis of objective grounds whether the statutory auditor or the audit firm or the group auditor, of such an entity or group of entities may continue to carry out the statutory audit for an additional period which shall not, in any case, exceed two years.

4 Member States may apply more stringent requirements than set out in this Article.

ARTICLE 5
Prohibition of the provision of non-audit services

1 A statutory auditor or an audit firm carrying out the statutory audit 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 audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services in:

(a) the period between the beginning of the period audited and the issuing of the audit report; and

(b) the financial year immediately preceding the period referred to in point (a) in relation to the services listed in point (e) of the second subparagraph.

For the purposes of this Article, prohibited non-audit services shall mean:

(a) tax services relating to:

(i) preparation of tax forms;

(ii) payroll tax;

(iii) customs duties;

(iv) identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;

(v) support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;

(vi) calculation of direct and indirect tax and deferred tax;

(vii) provision of tax advice;

(b) services that involve playing any part in the management or decision-making of the audited entity;

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

(d) payroll services;

(e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;

(f) valuation services, including valuations performed in connection with actuarial services or litigation support services;

(g) legal services, with respect to:

(i) the provision of general counsel;

(ii) negotiating on behalf of the audited entity; and

(iii) acting in an advocacy role in the resolution of litigation;

(h) services related to the audited entity's internal audit function;

(i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;

(j) promoting, dealing in, or underwriting shares in the audited entity;

(k) human resources services, with respect to:

(i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:

— searching for or seeking out candidates for such position; or

— undertaking reference checks of candidates for such positions;

(ii) structuring the organisation design; and

(iii) cost control.

2 Member States may prohibit services other than those listed in paragraph 1 where they consider that those services represent a threat to independence. Member States shall communicate to the Commission any additions to the list in paragraph 1.

3 By way of derogation from the second subparagraph of paragraph 1, Member States may allow the provision of the services referred to in points (a) (i), (a) (iv) to (a) (vii) and (f), provided that the following requirements are complied with:

(a) they have no direct or have immaterial effect, separately or in the aggregate on the audited financial statements;

(b) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the audit committee referred to in Article 11; and

(c) the principles of independence laid down in Directive 2006/43/EC are complied with by the statutory auditor or the audit firm.

4 A statutory auditor or an audit firm carrying out statutory audits 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 audited entity, to its parent undertaking or to its controlled undertakings non-audit services other than the prohibited non-audit services referred to in paragraphs 1 and 2 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 Directive 2006/43/EC. The audit committee shall, where applicable, issue guidelines with regard to the services referred to in paragraph 3.

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

Member States may establish stricter rules setting out the conditions under which a statutory auditor, an audit firm or a member of a network to which the statutory auditor or audit firm belongs may provide to the audited entity, to its parent undertaking or to its controlled undertakings non-audit services other than the prohibited non-audit services referred to in paragraph 1.

5 When a member of a network to which the statutory auditor or the audit firm carrying out a statutory audit of a public-interest entity belongs provides any of the non-audit services, referred to in paragraphs 1 and 2 of this Article, to an undertaking incorporated in a third country which is controlled by the audited public-interest entity, 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 where applicable in order to mitigate the threats caused by such provision of services in a third country. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 6 of this Regulation and Article 22b of Directive 2006/43/EC, that such provision of services does not affect his, her or its professional judgement and the audit report.

For the purposes of this paragraph:

(a) being involved in the decision-taking of the audited entity and the provision of the services referred to in points (b), (c) and (e) of the second subparagraph of paragraph 1 shall be deemed to affect such independence in all cases and to be incapable of mitigation by any safeguards.

(b) provision of the services referred to in the second subparagraph of paragraph 1 other than points (b), (c) and (e) thereof shall be deemed to affect such independence and therefore to require safeguards to mitigate the threats caused thereby.

ARTICLE 6
Preparation for the statutory audit and assessment of threats to independence

1 Before accepting or continuing an engagement for a statutory audit of a public- interest entity, a statutory auditor or an audit firm shall assess and document, in addition to the provisions of Article 22b of Directive 2006/43/EC, the following:

(a) whether he, she or it complies with the requirements of Articles 4 and 5 of this Regulation;

(b) whether the conditions of Article 17 of this Regulation are complied with;

(c) without prejudice to Directive 2005/60/EC, the integrity of the members of the supervisory, administrative and management bodies of the public-interest entity.

2 A statutory auditor or an audit firm shall:

(a) confirm annually in writing to the audit committee that the statutory auditor, the audit firm and partners, senior managers and managers, conducting the statutory audit are independent from the audited entity;

(b) discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats, as documented by them pursuant to paragraph 1.

ARTICLE 7
Irregularities

Without prejudice to Article 12 of this Regulation and Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.

Where the audited entity does not investigate the matter, the statutory auditor or the audit firm shall inform the authorities as designated by the Member States responsible for investigating such irregularities.

The disclosure in good faith to those authorities, by the statutory auditor or the audit firm, of any irregularities referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information.

ARTICLE 8
Engagement quality control review

1 Before the reports referred to in Articles 10 and 11 are issued, an engagement quality control review (in this Article hereinafter referred to as: review) shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of these reports.

2 The review shall be performed by an engagement quality control reviewer (in this Article hereinafter referred to as: reviewer). The reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the review relates.

3 By way of derogation from paragraph 2, where the statutory audit is carried out by an audit firm and all the statutory auditors were involved in the carrying-out of the statutory audit, or where the statutory audit is carried out by a statutory auditor and the statutory auditor is not a partner or employee of an audit firm, he, she or it shall arrange for another statutory auditor to perform a review. The disclosure of documents or information to the independent reviewer for the purposes of this Article shall not constitute a breach of professional secrecy. Documents or information disclosed to the reviewer for the purposes of this Article shall be subject to professional secrecy.

4 When performing the review, the reviewer shall record at least the following:

(a) the oral and written information provided by the statutory auditor or the key audit partner to support the significant judgements as well as the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the reviewer;

(b) the opinions of the statutory auditor or the key audit partner, as expressed in the draft of the reports referred to in Articles 10 and 11;

5 The review shall at least assess the following elements:

(a) the independence of the statutory auditor or the audit firm from the audited entity;

(b) the significant risks which are relevant to the statutory audit and which the statutory auditor or the key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks;

(c) the reasoning of the statutory auditor or the key audit partner, in particular with regard to the level of materiality and the significant risks referred to in point (b);

(d) any request for advice to external experts and the implementation of such advice;

(e) the nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the carrying out of the audit;

(f) the subjects discussed with the audit committee and the management and/or supervisory bodies of the audited entity;

(g) the subjects discussed with competent authorities and, where applicable, with other third parties;

(h) whether the documents and information selected from the file by the reviewer support the opinion of the statutory auditor or the key audit partner as expressed in the draft of the reports referred to in Articles 10 and 11.

6 The reviewer shall discuss the results of the review with the statutory auditor or the key audit partner. The audit firm shall establish procedures for determining the manner in which any disagreement between the key audit partner and the reviewer are to be resolved.

7 The statutory auditor or the audit firm and the reviewer shall keep a record of the results of the review, together with the considerations underlying those results.

ARTICLE 9
International auditing standards

The Commission shall be empowered to adopt by means of delegated acts in accordance with Article 39 the international auditing standards referred to in Article 26 of Directive 2006/43/EC in the area of audit practice, and the independence and internal quality controls of statutory auditors and audit firms for the purposes of their application within the Union, provided they meet the requirements of points (a), (b) and (c) of Article 26(3) of Directive 2006/43/EC and do not amend any of the requirements of this Regulation or supplement any of its requirements apart from those set out in Articles 7, 8 and 18 of this Regulation.

ARTICLE 10
Audit report

1 The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit of the public-interest entity in an audit report.

2 The audit report shall be prepared in accordance with the provisions of Article 28 of Directive 2006/43/EC and in addition shall at least:

(a) state by whom or by which body the statutory auditor(s) or the audit firm(s) was (were) appointed;

(b) indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments of the statutory auditors or the audit firms;

(c) provide, in support of the audit opinion, the following:

(i) a description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud;

(ii) a summary of the auditor's response to those risks; and

(iii) where relevant, key observations arising with respect to those risks.

Where relevant to the above information provided in the audit report concerning each significant assessed risk of material misstatement, the audit report shall include a clear reference to the relevant disclosures in the financial statements.

(d) explain to what extent the statutory audit was considered capable of detecting irregularities, including fraud;

(e) confirm that the audit opinion is consistent with the additional report to the audit committee referred to in Article 11;

(f) declare that the prohibited non-audit services referred to in Article 5(1) were not provided and that the statutory auditor(s) or the audit firm(s) remained independent of the audited entity in conducting the audit;

(g) indicate any services, in addition to the statutory audit, which were provided by the statutory auditor or the audit firm to the audited entity and its controlled undertaking(s), and which have not been disclosed in the management report or financial statements.

Member States may lay down additional requirements in relation to the content of the audit report.

3 Except as required by point (e) of paragraph 2 the audit report shall not contain any cross-references to the additional report to the audit committee referred to in Article 11. The audit report shall be in clear and unambiguous language.

4 The statutory auditor or the audit firm shall not use the name of any competent authority in a way that would indicate or suggest endorsement or approval by that authority of the audit report.

ARTICLE 11
Additional report to the audit committee

1 Statutory auditors or audit firms carrying out statutory audits of public-interest entities shall submit an additional report to the audit committee of the audited entity not later than the date of submission of the audit report referred to in Article 10. Member States may additionally require that this additional report be submitted to the administrative or supervisory body of the audited entity.

If the audited entity does not have an audit committee, the additional report shall be submitted to the body performing equivalent functions within the audited entity. Member States may allow the audit committee to disclose that additional report to such third parties as are provided for in their national law.

2 The additional report to the audit committee shall be in writing. It shall explain the results of the statutory audit carried out and shall at least:

(a) include the declaration of independence referred to in point (a) of Article 6(2);

(b) where the statutory audit was carried out by an audit firm, the report shall identify each key audit partner involved in the audit;

(c) where the statutory auditor or the audit firm has made arrangements for any of his, her or its activities to be conducted by another statutory auditor or audit firm that is not a member of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the statutory auditor or the audit firm received a confirmation from the other statutory auditor or audit firm and/or the external expert regarding their independence;

(d) describe the nature, frequency and extent of communication with the audit committee or the body performing equivalent functions within the audited entity, the management body and the administrative or supervisory body of the audited entity, including the dates of meetings with those bodies;

(e) include a description of the scope and timing of the audit;

(f) where more than one statutory auditor or audit firm have been appointed, describe the distribution of tasks among the statutory auditors and/or the audit firms;

(g) describe the methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance

testing, including an explanation of any substantial variation in the weighting of system and compliance testing when compared to the previous year, even if the previous year's statutory audit was carried out by other statutory auditor(s) or audit firm(s);

(h) disclose the quantitative level of materiality applied to perform the statutory audit for the financial statements as a whole and where applicable the materiality level or levels for particular classes of transactions, account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality;

(i) report and explain judgements about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;

(j) report on any significant deficiencies in the audited entity's or, in the case of consolidated financial statements, the parent undertaking's internal financial control system, and/or in the accounting system. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by the management;

(k) report any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks;

(l) report and assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods;

(m) in the case of a statutory audit of consolidated financial statements, explain the scope of consolidation and the exclusion criteria applied by the audited entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the financial reporting framework;

(n) where applicable, identify any audit work performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in relation to a statutory audit of consolidated financial statements other than by members of the same network as to which the auditor of the consolidated financial statements belongs;

(o) indicate whether all requested explanations and documents were provided by the audited entity;

(p) report:

(i) any significant difficulties encountered in the course of the statutory audit;

(ii) any significant matters arising from the statutory audit that were discussed or were the subject of correspondence with management; and

(iii) any other matters arising from the statutory audit that in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Member States may lay down additional requirements in relation to the content of the additional report to the audit committee.

Upon request by a statutory auditor, an audit firm or the audit committee, the statutory auditor(s) or the audit firm(s) shall discuss key matters arising from the statutory audit, referred to in the additional report to the audit committee, and in particular in point (j) of the first subparagraph, with

the audit committee, administrative body or, where applicable, supervisory body of the audited entity.

3 Where more than one statutory auditor or audit firm have been engaged simultaneously, and any disagreement has arisen between them on auditing procedures, accounting rules or any other issue regarding the conduct of the statutory audit, the reasons for such disagreement shall be explained in the additional report to the audit committee.

4 The additional report to the audit committee shall be signed and dated. Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by the statutory auditors carrying out the statutory audit on behalf of the audit firm.

5 Upon request, and in accordance with national law, the statutory auditors or the audit firms shall make available without delay the additional report to the competent authorities within the meaning of Article 20(1).

ARTICLE 12
Report to supervisors of public-interest entities

1 Without prejudice to Article 55 of Directive 2004/39/EC, Article 63 of Directive 2013/36/EU of the European Parliament and of the Council[1], Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, Article 3(1) of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council[2], the statutory auditor or the audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to the competent authorities supervising that public-interest entity or, where so determined by the Member State concerned, to the competent authority responsible for the oversight of the statutory auditor or audit firm, any information concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which may bring about any of the following:

(a) a material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorisation or which specifically govern pursuit of the activities of such public-interest entity;

(b) a material threat or doubt concerning the continuous functioning of the public-interest entity;

(c) a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion.

Statutory auditors or audit firms shall also have a duty to report any information referred to in points (a) (b) or (c) of the first subparagraph of which they become aware in the course of carrying out the statutory audit of an undertaking having close links with the public-interest entity for which they are also carrying out the statutory audit. For the purposes of this Article, ‘close links’ shall have the meaning assigned to that term in point (38) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council[3].

Member States may require additional information from the statutory auditor or the audit firm provided it is necessary for effective financial market supervision as provided for in national law.

[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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).
[2] 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).
[3] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

2 An effective dialogue shall be established between the competent authorities supervising credit institutions and insurance undertakings, on the one hand, and the statutory auditor(s) and the audit firm(s) carrying out the statutory audit of those institutions and undertakings, on the other hand. The responsibility for compliance with this requirement shall rest with both parties to the dialogue.

At least once a year, the European Systemic Risk Board (ESRB) and the CEAOB shall organise a meeting with the statutory auditors and the audit firms or networks carrying out statutory audits of all global systemically important financial institutions authorised within the Union, as identified internationally, in order to inform the ESRB of sectoral or any significant developments in those systemically important financial institutions.

In order to facilitate the exercise of the tasks referred to in the first subparagraph, the European Supervisory Authority (European Banking Authority — EBA) and the European Supervisory Authority (European Insurance and Occupational Pensions Authority — EIOPA) shall, taking current supervisory practices into account, issue guidelines addressed to the competent authorities supervising credit institutions and insurance undertakings, in accordance with Article 16 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council[4] and Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council[5], respectively.

3 The disclosure in good faith to the competent authorities or to ESRB and the CEAOB, by the statutory auditor or the audit firm or network, where applicable, of any information referred to in paragraph 1 or of any information emerging during the dialogue provided for in paragraph 2 shall not constitute a breach of any contractual or legal restriction on disclosure of information.

ARTICLE 13
Transparency report

1 A statutory auditor or an audit firm that carries out statutory audits of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. That transparency report shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the statutory auditor is employed by an audit firm, the obligations under this Article shall be incumbent on the audit firm.

A statutory auditor or an audit firm shall be allowed to update its published annual transparency report. In such a case, the statutory auditor or the audit firm shall indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website.

Statutory auditors and audit firms shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or the audit firm or, as appropriate, that it has been updated.

2 The annual transparency report shall include at least the following:

(a) a description of the legal structure and ownership of the audit firm;

(b) where the statutory auditor or the audit firm is a member of a network:

(i) a description of the network and the legal and structural arrangements in the network;

[4] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

[5] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;

(iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;

(iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;

(c) a description of the governance structure of the audit firm;

(d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;

(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;

(f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;

(g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;

(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;

(i) information concerning the basis for the partners' remuneration in audit firms;

(j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);

(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:

(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;

(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;

(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and

(iv) revenues from non-audit services to other entities.

The statutory auditor or the audit firm may, in exceptional circumstances, decide not to disclose the information required in point (f) of the first subparagraph to the extent necessary to mitigate an imminent and significant threat to the personal security of any person. The statutory auditor or the audit firm shall be able to demonstrate to the competent authority the existence of such threat.

3 The transparency report shall be signed by the statutory auditor or the audit firm.

ARTICLE 13a
Accessibility of information on the European single access point

1 From 10 January 2030, when making public any information referred to in Article 13 of this Regulation, the statutory auditor or the audit firm shall submit that information at the same time to the relevant collection body referred to in paragraph 3 of this Article for the purpose of making it accessible on the European single access point (ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council[6].

That information shall comply with the following requirements:

(a) be submitted in a data extractable format as defined in Article 2, point (3), of Regulation (EU) 2023/2859 or, where required by Union law, in a machine-readable format, as defined in Article 2, point (4), of that Regulation;

(b) be accompanied by the following metadata:

(i) all the names of the statutory auditor or audit firm to which the information relates;

(ii) for legal persons, the legal entity identifier of the audit firm, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;

(iii) for legal persons, the size of the audit firm by category, as specified pursuant to Article 7(4), point (d), of that Regulation;

(iv) the type of information as classified pursuant to Article 7(4), point (c), of that Regulation;

(v) an indication of whether the information contains personal data.

2 For the purposes of paragraph 1, point (b)(ii), audit firms that are legal persons shall obtain a legal entity identifier.

3 By 9 January 2030, for the purpose of making the information referred to in paragraph 1 of this Article accessible on ESAP, Member States shall designate at least one collection body as defined in Article 2, point (2), of Regulation (EU) 2023/2859 and notify ESMA thereof.

4 For the purpose of ensuring the efficient collection and management of information submitted in accordance with paragraph 1, implementing powers are conferred on the Commission, following the consultation of the CEAOB, to specify:

(a) any other metadata to accompany the information;

(b) the structuring of data in the information;

(c) for which information a machine-readable format is required and, in such cases, which machine-readable format is to be used.

For the purposes of point (c), the Commission shall assess the advantages and disadvantages of different machine-readable formats and conduct appropriate field tests.

[6] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OJ L, 2023/2859, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2859/oj).

ARTICLE 14
Information for competent authorities

Statutory auditors and audit firms shall provide annually to his, her or its competent authority a list of the audited public-interest entities by revenue generated from them, dividing those revenues into:

(a) revenues from statutory audit;

(b) revenues from non-audit services other than those referred to in Article 5(1) which are required by Union or national legislation; and,

(c) revenues from non-audit services other than those referred to in Article 5(1) which are not required by Union or national legislation.

ARTICLE 15
Record keeping

Statutory auditors and audit firms shall keep the documents and information referred to in Article 4(3), Article 6, Article 7, Article 8(4) to (7), Articles 10 and 11 Article 12(1) and (2), Article 14, Article 16(2), (3) and(5) of this Regulation, and in Articles 22b, 24a, 24b, 27 and 28 of Directive 2006/43/EC, for a period of at least five years following the creation of such documents or information.

Member States may require statutory auditors and audit firms to keep the documents and information referred to in the first subparagraph for a longer period in accordance with their rules on personal data protection and administrative and judicial proceedings.

TITLE III
THE APPOINTMENT OF STATUTORY AUDITORS OR AUDIT FIRMS BY PUBLIC-INTEREST ENTITIES

ARTICLE 16
Appointment of statutory auditors or audit firms

1 For the purposes of the application of Article 37(1) of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to 5 of this Article shall apply, but may be subject to paragraph 7.

Where Article 37(2) of Directive 2006/43/EC applies, the public-interest entity shall inform the competent authority of the use of the alternative systems or modalities referred to in that Article. In that event, paragraphs 2 to 5 of this Article shall not apply.

2 The audit committee shall submit a recommendation to the administrative or supervisory body of the audited entity for the appointment of statutory auditors or audit firms.

Unless it concerns the renewal of an audit engagement in accordance with Article 17(1) and 17(2), the recommendation shall be justified and contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them.

In its recommendation, the audit committee shall state that its recommendation is free from influence by a third party and that no clause of the kind referred to in paragraph 6 has been imposed upon it.

3 Unless it concerns the renewal of an audit engagement in accordance with Article 17(1) and 17(2), the recommendation of the audit committee referred to in paragraph 2 of this Article shall be prepared following a selection procedure organised by the audited entity respecting the following criteria:

(a) the audited entity shall be free to invite any statutory auditors or audit firms to submit proposals for the provision of the statutory audit service on the condition that Article 17(3) is respected and that the organisation of the tender process does not in any way preclude the participation in the selection procedure of firms which received less than 15 % of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year;

(b) the audited entity shall prepare tender documents for the attention of the invited statutory auditors or audit firms. Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;

(c) the audited entity shall be free to determine the selection procedure and may conduct direct negotiations with interested tenderers in the course of the procedure;

(d) where, in accordance with Union or national law, the competent authorities referred to in Article 20 require statutory auditors and audit firms to comply with certain quality standards, those standards shall be included in the tender documents;

(e) the audited entity shall evaluate the proposals made by the statutory auditors or the audit firms in accordance with the selection criteria predefined in the tender documents. The audited entity shall prepare a report on the conclusions of the selection procedure, which shall be validated by the audit committee. The audited entity and the audit committee shall take into consideration any findings or conclusions of any inspection report on the applicant statutory auditor or audit firm referred to in Article 26(8) and published by the competent authority pursuant to point (d) of Article 28;

(f) the audited entity shall be able to demonstrate, upon request, to the competent authority referred to in Article 20 that the selection procedure was conducted in a fair manner.

The audit committee shall be responsible for the selection procedure referred to in the first subparagraph.

For the purposes of point (a) of the first subparagraph, the competent authority referred to in Article 20(1) shall make public a list of the statutory auditors and the audit firms concerned which shall be updated on an annual basis. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to Article 14 to make the relevant calculations.

4 Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection procedure referred to in paragraph 3.

5 The proposal to the general meeting of shareholders or members of the audited entity for the appointment of statutory auditors or audit firms shall include the recommendation and preference referred to in paragraph 2 made by the audit committee or the body performing equivalent functions.

If the proposal departs from the preference of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee. However, the statutory auditor or audit firm recommended by the administrative or supervisory body must have participated in the selection procedure described in paragraph 3. This subparagraph shall not apply where the audit committee's functions are performed by the administrative or supervisory body.

6 Any clause of a contract entered into between a public-interest entity and a third party restricting the choice by the general meeting of shareholders or members of that entity, as referred to in Article 37 of Directive 2006/43/EC 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 of that entity shall be null and void.

The public-interest entity shall inform the competent authorities referred to in Article 20 directly and without delay of any attempt by a third party to impose such a contractual clause or to otherwise improperly influence the decision of the general meeting of shareholders or members on the selection of a statutory auditor or an audit firm.

7 Member States may decide that a minimum number of statutory auditors or audit firms are to be appointed by public-interest entities in certain circumstances and establish the conditions governing the relations between the statutory auditors or audit firms appointed.

If a Member State establishes any such requirement, it shall inform the Commission and the relevant European Supervisory Authority thereof.

8 Where the audited entity has a nomination committee in which shareholders or members have a considerable influence and which has the task of making recommendations on the selecting of auditors, Member States may allow that nomination committee to perform the functions of the audit committee that are laid down in this Article and require it to submit the recommendation referred to in paragraph 2 to the general meeting of shareholders or members.

ARTICLE 17
Duration of the audit engagement

1 A public-interest entity shall appoint a statutory auditor or an audit firm for an initial engagement of at least one year. The engagement may be renewed.

Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with any renewed engagements therewith shall exceed a maximum duration of 10 years.

2 By way of derogation from paragraph 1, Member States may

(a) require that the initial engagement referred to in paragraph 1 be for a period of more than one year;

(b) set a maximum duration of less than 10 years for the engagements referred to in the second subparagraph of paragraph 1.

3 After the expiry of the maximum durations of engagements referred to in the second subparagraph of paragraph 1, or in point (b) of paragraph 2, or after the expiry of the durations of engagements extended in accordance with paragraphs 4 or 6, neither the statutory auditor or the audit firm nor, where applicable, any members of their networks within the Union shall undertake the statutory audit of the same public-interest entity within the following four-year period.

4 By way of derogation from paragraph 1 and point (b) of paragraph (2), Member States may provide that the maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 2 may be extended to the maximum duration of:

(a) 20 years, where a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 5 of Article 16 and takes effect upon the expiry of the maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 2; or

(b) twenty four years, where, after the expiry of the maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 2, more than one statutory auditor or audit firm is simultaneously engaged, provided that the statutory audit results in the presentation of the joint audit report as referred to in Article 28 of Directive 2006/43/EC.

5 The maximum durations referred to in the second subparagraph of paragraph 1 and in point (b) of paragraph 2 shall be extended only if, upon a recommendation of the audit committee, the administrative or supervisory body, proposes to the general meeting of shareholders or members, in accordance with national law, that the engagement be renewed and that proposal is approved.

6 After the expiry of the maximum durations referred to in the second subparagraph of paragraph 1, in point (b) of paragraph 2, or in paragraph 4, as appropriate, the public-interest entity may, on an exceptional basis, request that the competent authority referred to in Article 20(1) grant an extension to re-appoint the statutory auditor or the audit firm for a further engagement where the conditions in points (a) or (b) of paragraph 4 are met. Such an additional engagement shall not exceed two years.

7 The key audit partners responsible for carrying out a statutory audit shall cease their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. They shall not participate again in the statutory audit of the audited entity before three years have elapsed following that cessation.

By way of derogation, Member States may require that key audit partners responsible for carrying out a statutory audit cease their participation in the statutory audit of the audited entity earlier than seven years from the date of their respective appointment.

The statutory auditor or the audit firm shall establish an appropriate gradual rotation mechanism with regard to the most senior personnel involved in the statutory audit, including at least the persons who are registered as statutory auditors. The gradual rotation mechanism shall be applied in phases on the basis of individuals rather than of the entire engagement team. It shall be proportionate in view of the scale and the complexity of the activity of the statutory auditor or the audit firm.

The statutory auditor or the audit firm shall be able to demonstrate to the competent authority that such mechanism is effectively applied and adapted to the scale and the complexity of the activity of the statutory auditor or the audit firm.

8 For the purposes of this Article, the duration of the audit engagement shall be calculated as from the first financial year covered in the audit engagement letter in which the statutory auditor or the audit firm has been appointed for the first time for the carrying-out of consecutive statutory audits for the same public-interest entity.

For the purposes of this Article, the audit firm shall include other firms that the audit firm has acquired or that have merged with it.

If there is uncertainty as to the date on which the statutory auditor or the audit firm began carrying out consecutive statutory audits for the public-interest entity, for example due to firm mergers, acquisitions, or changes in ownership structure, the statutory auditor or the audit firm shall immediately report such uncertainties to the competent authority, which shall ultimately determine the relevant date for the purposes of the first subparagraph.

ARTICLE 18
Hand-over file

Where a statutory auditor or an audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall comply with the requirements laid down in Article 23(3) of Directive 2006/43/EC.

Subject to Article 15, the former statutory auditor or audit firm shall also grant the incoming statutory auditor or audit firm access to the additional reports referred to in Article 11 in respect of previous years and to any information transmitted to competent authorities pursuant to Articles 12 and 13.

The former statutory auditor or audit firm shall be able to demonstrate to the competent authority that such information has been provided to the incoming statutory auditor or audit firm.

ARTICLE 19
Dismissal and resignation of the statutory auditors or the audit firms

Without prejudice to Article 38(1) of Directive 2006/43/EC, any competent authority designated by a Member State in accordance with Article 20(2) of this Regulation, shall forward the information concerning the dismissal or resignation of the statutory auditor or the audit firm during the engagement and an adequate explanation of the reasons therefor to the competent authority referred to in Article 20(1).

TITLE IV
SURVEILLANCE OF THE ACTIVITIES OF STATUTORY AUDITORS AND AUDIT FIRMS CARRYING OUT STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES

CHAPTER I
Competent authorities

ARTICLE 20
Designation of competent authorities

1 Competent authorities responsible for carrying out the tasks provided for in this Regulation and for ensuring that the provisions of this Regulation are applied shall be designated from amongst the following:

(a) the competent authority referred to in Article 24(1) of Directive 2004/109/EC;

(b) the competent authority referred to in point (h) of Article 24(4) of Directive 2004/109/EC;

(c) the competent authority referred to in Article 32 of Directive 2006/43/EC.

2 By way of derogation from paragraph 1, Member States may decide that the responsibility for ensuring that all or part of the provisions of Title III of this Regulation are applied is to be entrusted to, as appropriate, the competent authorities referred to in:

(a) Article 48 of Directive 2004/39/EC;

(b) Article 24(1) of Directive 2004/109/EC;

(c) point (h) of Article 24(4) of Directive 2004/109/EC;

(d) Article 20 of Directive 2007/64/EC;

(e) Article 30 of Directive 2009/138/EC;

(f) Article 4(1) of Directive 2013/36/EU;

or to other authorities designated by national law.

3 Where more than one competent authority has been designated pursuant to paragraphs 1 and 2, those authorities shall be organised in such a manner that their tasks are clearly allocated.

4 Paragraphs 1, 2 and 3 shall be without prejudice to the right of a Member State to make separate legal and administrative arrangements for overseas countries and territories with which that Member State has special relations.

5 The Member States shall inform the Commission of the designation of competent authorities for the purposes of this Regulation.

The Commission shall consolidate this information and make it public.

ARTICLE 21
Conditions of independence

The competent authorities shall be independent of statutory auditors and audit firms.

The competent authorities may consult experts, as referred to in point (c) of Article 26(1), for the purpose of carrying out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of their tasks. In such instances, the experts shall not be involved in any decision-making.

A person shall not be a member of the governing body, or responsible for the decision–making, of those authorities if during his or her involvement or in the course of the three previous years that person:

(a) has carried out statutory audits;

(b) held voting rights in an audit firm;

(c) was member of the administrative, management or supervisory body of an audit firm;

(d) was a partner, employee of, or otherwise contracted by, an audit firm.

The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms.

ARTICLE 22
Professional secrecy in relation to competent authorities

The obligation of professional secrecy shall apply to all persons who are or have been employed or independently contracted by, or involved in the governance of, competent authorities or by any authority or body to which tasks have been delegated under Article 24 of this Regulation. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the obligations laid down in this Regulation or the laws, regulations or administrative procedures of a Member State.

ARTICLE 23
Powers of competent authorities

1 Without prejudice to Article 26, in carrying out their tasks under this Regulation, the competent authorities or any other public authorities of a Member State may not interfere with the content of audit reports.

2 Member States shall ensure that the competent authorities have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation in accordance with the provisions of Chapter VII of Directive 2006/43/EC.

3 The powers referred to in paragraph 2 of this Article shall include, at least, the power to:

(a) access data related to the statutory audit or other documents held by statutory auditors or audit firms in any form relevant to the carrying out of their tasks and to receive or take a copy thereof;

(b) obtain information related to the statutory audit from any person;

(c) carry out on-site inspections of statutory auditors or audit firms;

(d) refer matters for criminal prosecution;

(e) request experts to carry out verifications or investigations;

(f) take the administrative measures, and impose the sanctions referred to in Article 30a of Directive 2006/43/EC.

The competent authorities may use the powers referred to in the first subparagraph only in relation to:

(a) statutory auditors and audit firms carrying out statutory audit of public-interest entities;

(b) persons involved in the activities of statutory auditors and audit firms carrying out statutory audit of public-interest entities;

(c) audited public-interest entities, their affiliates and related third parties;

(d) third parties to whom the statutory auditors and the audit firms carrying out statutory audit of public-interest entities have outsourced certain functions or activities; and

(e) persons otherwise related or connected to statutory auditors and audit firms carrying out statutory audit of public-interest entities.

4 Member States shall ensure that the competent authorities are allowed to exercise their supervisory and investigatory powers in any of the following ways:

(a) directly;

(b) in collaboration with other authorities;

(c) by application to the competent judicial authorities.

5 The supervisory and investigatory powers of competent authorities shall be exercised in full compliance with national law, and in particular, with the principles of respect for private life and the right of defence.

6 The processing of personal data processed in the exercise of the supervisory and investigatory powers pursuant to this Article shall be carried out in accordance with Directive 95/46/EC.

ARTICLE 24
Delegation of tasks

1 Member States may delegate or allow the competent authorities referred to in Article 20(1) to delegate any of the tasks required to be undertaken pursuant to this Regulation to other authorities or bodies designated or otherwise authorised by law to carry out such tasks, except for tasks related to:

(a) the quality assurance system referred to in Article 26;

(b) investigations referred to in Article 23 of this Regulation and Article 32 of Directive 2006/43/EC arising from that quality assurance system or from a referral by another authority; and

(c) sanctions and measures as referred to in Chapter VII of Directive 2006/43/EC related to the quality assurance reviews or investigation of statutory audits of public-interest entities.

2 Any execution of tasks by other authorities or bodies shall be the subject of an express delegation by the competent authority. The delegation shall specify the delegated tasks and the conditions under which they are to be carried out.

Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim these competences on a case-by-case basis.

3 The authorities or bodies shall be organised in such a manner that there are no conflicts of interest. The ultimate responsibility for supervising compliance with this Regulation and with the implementing measures adopted pursuant thereto shall lie with the delegating competent authority.

The competent authority shall inform the Commission and the competent authorities of Member States of any arrangement entered into with regard to the delegation of tasks, including the precise conditions governing such delegation.

4 By way of derogation from paragraph 1, Member States may decide to delegate the tasks referred to in point (c) of paragraph 1 to other authorities or bodies designated or otherwise authorised by law to carry out such tasks, when the majority of the persons involved in the governance of the authority or body concerned is independent from the audit profession.

ARTICLE 25
Cooperation with other competent authorities at national level

Competent authorities designated pursuant to Article 20(1) and, where appropriate, any authority to whom such a competent authority has delegated tasks shall cooperate at national level with:

(a) the competent authorities referred to in Article 32(4) of Directive 2006/43/EC;

(b) the authorities referred to in Article 20(2), whether or not they have been designated competent authorities for the purposes of this Regulation;

(c) the financial intelligence units and the competent authorities referred to in Articles 21 and 37 of Directive 2005/60/EC.

For the purposes of such cooperation, the obligation of professional secrecy under Article 22 of this Regulation shall apply.

CHAPTER II
Quality assurance, market monitoring, and transparency of competent authorities

ARTICLE 26
Quality assurance

1 For the purposes of this Article:

(a) "**inspections**" means quality assurance reviews of statutory auditors and audit firms, which are led by an inspector and which do not constitute an investigation within the meaning of Article 32(5) of Directive 2006/43/EC;

(b) "**inspector**" means a reviewer who meets the requirements set out in point (a) of the first subparagraph of paragraph 5 of this Article and who is employed or otherwise contracted by a competent authority;

(c) "**expert**" means a natural person who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors.

2 The competent authorities designated under Article 20(1) shall establish an effective system of audit quality assurance. They shall carry out quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities on the basis of an analysis of the risk and:

(a) in the case of statutory auditors and audit firms carrying out statutory audits of public-interest entities other than those defined in points (17) and (18) of Article 2 of Directive 2006/43/EC at least every three years; and,

(b) in cases other than those referred to in point (a), at least every six years.

3 The competent authority shall have the following responsibilities:

(a) approval and amendment of the inspection methodologies, including inspection and follow-up manuals, reporting methodologies and periodic inspection programmes;

(b) approval and amendment of inspection reports and follow-up reports;

(c) approval and assignment of inspectors for each inspection.

The competent authority shall allocate adequate resources to the quality assurance system.

4 The competent authority shall organise the quality assurance system in a manner that is independent of the reviewed statutory auditors and audit firms.

The competent authority shall ensure that appropriate policies and procedures related to the independence and objectivity of the staff, including inspectors, and the management of the quality assurance system are put in place.

5 The competent authority shall comply with the following criteria when appointing inspectors:

(a) inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;

(b) a person who is a practising statutory auditor or is employed by or otherwise associated with a statutory auditor or an audit firm shall not be allowed to act as an inspector;

(c) a person shall not be allowed to act as an inspector in an inspection of a statutory auditor or an audit firm until at least three years have elapsed since that person ceased to be a partner or employee of that statutory auditor or of that audit firm or to be otherwise associated with that statutory auditor or audit firm;

(d) inspectors shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be inspected.

By way of derogation from point (b) of paragraph 1, a competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is essential for the proper conduct of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. Experts shall not be involved in the governance of, or employed or otherwise contracted by professional associations and bodies but may be members of such associations or bodies.

6 The scope of inspections shall at least cover:

(a) an assessment of the design of the internal quality control system of the statutory auditor or of the audit firm;

(b) adequate compliance testing of procedures and a review of audit files of public-interest entities in order to verify the effectiveness of the internal quality control system;

(c) in the light of the findings of the inspection under points (a) and (b) of this paragraph, an assessment of the contents of the most recent annual transparency report published by a statutory auditor or an audit firm in accordance with Article 13.

7 At least the following internal quality control policies and procedures of the statutory auditor or the audit firm shall be reviewed:

(a) compliance by the statutory auditor or the audit firm with applicable auditing and quality control standards, and ethical and independence requirements, including those set out in Chapter IV of Directive 2006/43/EC and Articles 4 and 5 of this Regulation, as well as relevant laws, regulations and administrative provisions of the Member State concerned;

(b) the quantity and quality of resources used, including compliance with continuing education requirements as set out in Article 13 of Directive 2006/43/EC;

(c) compliance with the requirements set out in Article 4 of this Regulation on the audit fees charged.

For the purposes of testing compliance, audit files shall be selected on the basis of an analysis of the risk of a failure to carry out a statutory audit adequately.

Competent authorities shall also periodically review the methodologies used by statutory auditors and audit firms to carry out statutory audits.

In addition to the inspection covered by the first subparagraph, competent authorities shall have the power to perform other inspections.

8 The findings and conclusions of inspections on which recommendations are based, including the findings and conclusions related to a transparency report, shall be communicated to and discussed with the inspected statutory auditor or audit firm before an inspection report is finalised.

Recommendations of inspections shall be implemented by the inspected statutory auditor or audit firm within a reasonable period set by the competent authority. Such period shall not exceed 12 months in the case of recommendations on the internal quality control system of the statutory auditor or of the audit firm.

9 The inspection shall be the subject of a report which shall contain the main conclusions and recommendations of the quality assurance review.

ARTICLE 27
Monitoring market quality and competition

1 The competent authorities designated under Article 20(1) and the European Competition Network (ECN), as appropriate, shall regularly monitor the developments in the market for providing statutory audit services to public-interest entities and shall in particular assess the following:

(a) the risks arising from high incidence of quality deficiencies of a statutory auditor or an audit firm, including systematic deficiencies within an audit firm network, which may lead to the demise of any audit firm, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk of audit deficiencies and the impact on the overall stability of the financial sector;

(b) the market concentration levels, including in specific sectors;

(c) the performance of audit committees;

(d) the need to adopt measures to mitigate the risks referred to in point (a).

2 By 17 June 2016, and at least every three years thereafter, each competent authority and the ECN, shall draw up a report on developments in the market for providing statutory audit services to public-interest entities and submit it to the CEAOB, ESMA, EBA, EIOPA and the Commission.

The Commission, following consultations with the CEAOB, ESMA, EBA and EIOPA shall use those reports to draw up a joint report on those developments at Union level. That joint report shall be submitted to the Council, the European Central Bank and the European Systemic Risk Board, as well as, where appropriate, to the European Parliament.

ARTICLE 28
Transparency of competent authorities

Competent authorities shall be transparent and shall at least publish:

(a) annual activity reports regarding their tasks under this Regulation;

(b) annual work programmes regarding their tasks under this Regulation;

(c) a report on the overall results of the quality assurance system on an annual basis. This report shall include information on recommendations issued, follow-up on the recommendations, supervisory measures taken and sanctions imposed. It shall also include quantitative information and other key performance information on financial resources and staffing, and the efficiency and effectiveness of the quality assurance system;

(d) the aggregated information on the findings and conclusions of inspections referred to in the first subparagraph of Article 26(8). Member States may require the publication of those findings and conclusions on individual inspections.

CHAPTER III
Cooperation between competent authorities and relations with the European supervisory authorities

ARTICLE 29
Obligation to cooperate

The competent authorities of the Member States shall cooperate with each other where it is necessary for the purposes of this Regulation, including in cases where the conduct under investigation does not constitute an infringement of any legislative or regulatory provision in force in the Member State concerned.

ARTICLE 30
Establishment of the CEAOB

1 Without prejudice to the organisation of national auditing oversight, the cooperation between competent authorities shall be organised within the framework of the CEAOB.

2 The CEAOB shall be composed of one member from each Member State who shall be high level representatives from the competent authorities referred to in Article 32(1) of Directive 2006/43/EC, and one member appointed by the ESMA, hereinafter referred to as ‘members’.

3 The EBA and EIOPA shall be invited to attend meetings of the CEAOB as observers.

4 The CEAOB shall meet at regular intervals and, where necessary, at the request of the Commission or a Member State.

5 Each member of the CEAOB shall have one vote, except the member appointed by ESMA, who shall not have voting rights. Unless otherwise stated, decisions of the CEAOB shall be taken by simple majority of its members.

6 The Chair of the CEAOB shall be elected from a list of applicants representing the competent authorities referred to in Article 32(1) of Directive 2006/43/EC, or removed, in each case by a two-thirds majority of members. The Chair shall be elected for a four-year term. The Chair may not serve consecutive terms in the same position, but may be re-elected after a cooling-off period of four years.

The Vice-Chair shall be appointed or removed by the Commission.

The Chair and the Vice-Chair shall not have voting rights.

In the event that the Chair resigns or is removed before the end of his or her term of office, the Vice-Chair shall act as Chair until the next meeting of the CEAOB, which shall elect a Chair for the remainder of the term.

7 The CEAOB shall:

(a) facilitate the exchange of information, expertise and best practices for the implementation of this Regulation and of Directive 2006/43/EC;

(b) provide expert advice to the Commission as well as to the competent authorities, at their request, on issues related to the implementation of this Regulation and of Directive 2006/43/EC;

(c) contribute to the technical assessment of public oversight systems of third countries and to the international cooperation between Member States and third countries in that area, as referred to in Articles 46(2) and 47(3) of Directive 2006/43/EC;

(d) contribute to the technical examination of international auditing standards, including the processes for their elaboration, with a view to their adoption at Union level;

(e) contribute to the improvement of cooperation mechanisms for the oversight of public-interest entities' statutory auditors, audit firms or the networks they belong to;

(f) carry out other coordinating tasks in the cases provided for in this Regulation or in Directive 2006/43/EC.

8 For the purposes of carrying out its tasks referred to in point (c) of paragraph 7, the CEAOB shall request the assistance of ESMA, EBA or EIOPA insofar as its request relates to international cooperation between Member States and third countries in the field of statutory audit of public-interest entities supervised by those European Supervisory Authorities. Where such assistance is requested, ESMA, EBA or EIOPA shall assist the CEAOB in its task.

9 For the purposes of carrying out its tasks, the CEAOB may adopt non-binding guidelines or opinions.

The Commission shall publish the guidelines and opinions adopted by the CEAOB.

10 The CEAOB shall assume all existing and on-going tasks, as appropriate, of the European Group of Audit Oversight Bodies (EGAOB) created by Commission Decision 2005/909/EC.

11 The CEAOB may establish sub-groups on a permanent or ad hoc basis to examine specific issues under the terms of reference established by it. Participation in the sub-group discussions may be extended to competent authorities from the countries of the European Economic Area (hereinafter referred to as EEA) in the field of audit oversight or by invitation, on a case-by-case basis, to competent authorities from non-EU/EEA countries, subject to the approval of the CEAOB members. The participation of a competent authority from a non-EU/EEA country may be subject to a limited time period.

12 The CEAOB shall establish a sub-group for the purpose of carrying out the tasks referred to in point (c) of paragraph 7. That sub-group shall be chaired by the member appointed by ESMA pursuant to paragraph 2.

13 At the request of at least three members, or on its own initiative, where this is considered useful and/or necessary, the Chair of the CEAOB may invite experts, including practitioners, with specific competence on a subject on the agenda to participate in the CEAOB's or its sub-group's deliberations as observers. The CEAOB may invite representatives of competent authorities from third countries which are competent in the field of audit oversight to participate in the CEAOB's or its sub-group's deliberations as observers.

14 The Secretariat of the CEAOB shall be provided by the Commission. The expenses of the CEAOB shall be included in the estimates of the Commission.

15 The Chair shall prepare the provisional agenda of each meeting of the CEAOB with due regard to members' written contributions.

16 The Chair or, in his or her absence, the Vice-Chair shall communicate the CEAOB views or positions only with the approval of the members.

17 The CEAOB's discussions shall not be public.

18 The CEAOB shall adopt its rules of procedure.

ARTICLE 31
Cooperation with regard to quality assurance reviews, investigations and on-site inspections

1 Competent authorities shall take measures to ensure effective cooperation at Union level in respect of quality assurance reviews.

2 The competent authority of one Member State may request the assistance of the competent authority of another Member State with regard to the quality assurance reviews of statutory auditors or audit firms belonging to a network carrying out significant activities in the requested Member State.

3 Where a competent authority receives a request from a competent authority of another Member State to assist in the quality assurance review of a statutory auditor or an audit firm belonging to a network carrying out significant activities in that Member State, it shall allow the requesting competent authority to assist in such quality assurance review.

The requesting competent authority shall not have the right to access information which might breach national security rules or adversely affect the sovereignty, security or public order of the requested Member State.

4 Where a competent authority concludes that activities contrary to the provisions of this Regulation are being carried out or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome of that action and, to the extent possible, of significant interim developments.

5 A competent authority of one Member State may request that an investigation be carried out by the competent authority of another Member State on the latter's territory.

It may also request that some of its own personnel be allowed to accompany the personnel of the competent authority of that Member State in the course of the investigation, including with regard to on-site inspections.

The investigation or inspection shall be subject throughout to the overall control of the Member State on whose territory it is carried out.

6 The requested competent authority may refuse to act on a request for an investigation to be carried out as provided for in the first subparagraph of paragraph 5, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the second subparagraph of paragraph 5, in the following cases:

(a) where such an investigation or on-site inspection might breach national security rules or adversely affect the sovereignty, security or public order of the requested Member State;

(b) where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State;

(c) where a final judgment has already been delivered in respect of the same actions and the same persons by the authorities of the requested Member State.

7 In the event of a quality assurance review or an investigation with cross-border effects, the competent authorities of the Member States concerned may address a joint request to the CEAOB to coordinate the review or investigation.

ARTICLE 32
Colleges of competent authorities

1 In order to facilitate the exercise of the tasks referred to in Articles 26, and 31(4) to(6) of this Regulation and Article 30 of Directive 2006/43/EC with regard to specific statutory auditors, audit firms or their networks, colleges may be established with the participation of the competent authority of the home Member State and of any other competent authority, provided that:

(a) the statutory auditor or the audit firm is providing statutory audit services to public-interest entities within the jurisdiction of the Member States concerned; or

(b) a branch which is a part of the audit firm is established within the jurisdiction of the Member States concerned.

2 In the case of specific statutory auditors or audit firms, the competent authority of the home Member State shall act as facilitator.

3 With regard to specific networks, competent authorities of the Member States where the network carries out significant activities may request the CEAOB to establish a college with the participation of the requesting competent authorities.

4 Within 15 working days of the establishment of the college of competent authorities with regard to a specific network, its members shall select a facilitator. In the absence of agreement, the CEAOB shall appoint a facilitator from among the members of the college.

Members of the college shall review the selection of the facilitator at least every five years to ensure that the selected facilitator remains the most appropriate occupant of that position.

5 The facilitator shall chair the meetings of the college, coordinate the actions of the college and ensure efficient exchange of information among members of the college.

6 The facilitator shall, within 10 working days of his or her selection, establish written coordination arrangements within the framework of the college regarding the following matters:

(a) information to be exchanged between competent authorities;

(b) cases in which the competent authorities must consult each other;

(c) cases in which the competent authorities may delegate supervisory tasks in accordance with Article 33.

7 In the absence of agreement concerning the written coordination arrangements under paragraph 6, any member of the college may refer the matter to the CEAOB. The facilitator shall give due consideration to any advice provided by the CEAOB concerning the written coordination arrangements before agreeing on their final text. The written coordination arrangements shall be set out in a single document containing full reasons for any significant deviation from the advice of the CEAOB. The facilitator shall transmit the written coordination arrangements to the members of the college and to the CEAOB.

ARTICLE 33
Delegation of tasks

The competent authority of the home Member State may delegate any of its tasks to the competent authority of another Member State subject to the agreement of that authority. Delegation of tasks shall not affect the responsibility of the delegating competent authority.

ARTICLE 34
Confidentiality and professional secrecy in relation to cooperation among competent authorities

1 The obligation of professional secrecy shall apply to all persons who work or who have worked for the bodies involved in the framework of cooperation between competent authorities as referred to in Article 30. Information covered by professional secrecy shall not be disclosed to another person or authority except where such disclosure is necessary for legal proceedings or required by Union or national law.

2 Article 22 shall not prevent bodies involved in the framework of cooperation between competent authorities as referred to in Article 30 and the competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject.

3 All the information exchanged under this Regulation between bodies involved in the framework of cooperation between competent authorities as referred to in Article 30, and the competent authorities and other authorities and bodies shall be treated as confidential, except where its disclosure is required by Union or national law.

ARTICLE 35
Protection of personal data

1 Member States shall apply Directive 95/46/EC to the processing of personal data carried out in the Member States pursuant to this Regulation.

2 Regulation (EC) No 45/2001 shall apply to the processing of personal data carried out by the CEAOB, ESMA, EBA and EIOPA in the context of this Regulation and of Directive 2006/43/EC.

CHAPTER IV
Cooperation with third-country authorities and with international organisations and bodies

ARTICLE 36
Agreement on exchange of information

1 The competent authorities may conclude cooperation agreements on exchange of information with the competent authorities of third countries only if the information disclosed is subject, in the third countries concerned, to guarantees of professional secrecy which are at least equivalent to those set out in Articles 22 and 34. The competent authorities shall immediately communicate such agreements to the CEAOB and notify the Commission of them.

Information shall only be exchanged under this Article where such exchange of information is necessary for the performance of the tasks of those competent authorities under this Regulation.

Where such exchange of information involves the transfer of personal data to a third country, Member States shall comply with Directive 95/46/EC and the CEAOB shall comply with Regulation (EC) No 45/2001.

2 The competent authorities shall cooperate with the competent authorities or other relevant bodies of third countries regarding the quality assurance reviews and investigations of statutory auditors and audit firms. Upon request by a competent authority, the CEAOB shall contribute to such cooperation and to the establishment of supervisory convergence with third countries.

3 Where the cooperation or exchange of information relates to audit working papers or other documents held by statutory auditors or audit firms, Article 47 of Directive 2006/43/EC shall apply.

4 The CEAOB shall prepare guidelines on the content of the cooperation agreements and exchange of information referred to in this Article.

ARTICLE 37
Disclosure of information received from third countries

The competent authority of a Member State may disclose the confidential information received from competent authorities of third countries where a cooperation agreement so provides, only if it has obtained the express agreement of the competent authority which has transmitted the information and, where applicable, the information is disclosed only for the purposes for which that competent authority has given its agreement, or where such disclosure is required by Union or national law.

ARTICLE 38
Disclosure of information transferred to third countries

The competent authority of a Member State shall require that confidential information communicated by it to a competent authority of a third country may be disclosed by that competent authority to third parties or authorities only with the prior express agreement of the competent authority which has transmitted the information, in accordance with its national law and provided that the information is disclosed only for the purposes for which that competent authority of the Member State has given its agreement, or where such disclosure is required by Union or national law or is necessary for legal proceedings in that third country.

ARTICLE 39
Exercise of the delegation

1 The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2 The power to adopt delegated acts referred to in Article 9 shall be conferred on the Commission for a period of five years from 16 June 2014. The Commission shall draw up a report in respect of the

delegation of power not later than nine months before the end of the five-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 9 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.

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

5 A delegated act adopted pursuant to Article 9 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 of the Council.

ARTICLE 40
Review and reports

1 The Commission shall review and report on the operation and effectiveness of the system of cooperation between competent authorities within the framework of the CEAOB, referred to in Article 30, in particular as regards the performance of the CEAOB tasks defined in paragraph 7 of that Article.

2 The review shall take into account international developments, particularly in relation to strengthening cooperation with the competent authorities of third countries and contributing to the improvement of cooperation mechanisms for the oversight of statutory auditors and audit firms of public-interest entities belonging to international audit networks. The Commission shall complete its review by 17 June 2019.

3 The report shall be submitted to the European Parliament and to the Council, together with a legislative proposal, if appropriate. That report shall consider the progress made in the field of cooperation between competent authorities within the framework of the CEAOB from the beginning of the operation of that framework and propose further steps to enhance the effectiveness of the cooperation between Member States' competent authorities.

4 By 17 June 2028 the Commission shall submit a report on the application of this Regulation to the European Parliament and to the Council.

ARTICLE 41
Transitional provisions

1 As from 17 June 2020, a public-interest entity shall not enter into or renew an audit engagement with a given statutory auditor or audit firm if that statutory auditor or audit firm has been providing audit services to that public-interest entity for 20 and more consecutive years at the date of entry into force of this Regulation.

2 As from 17 June 2023, a public-interest entity shall not enter into or renew an audit engagement with a given statutory auditor or audit firm if that statutory auditor or audit firm has been providing audit services to that public-interest entity for 11 and more but less than 20 consecutive years at the date of entry into force of this Regulation.

3 Without prejudice to paragraphs 1 and 2, the audit engagements that were entered into before 16 June 2014 but which are still in place as at 17 June 2016 may remain applicable until the end of the maximum duration referred to in the second subparagraph of Article 17(1) or in point (b) of Article 17(2). Article 17(4) shall apply.

4 Article 16(3) shall only apply to audit engagements after the expiry of the period referred to in the second subparagraph of Article 17(1).

ARTICLE 42
National provisions

The Member States shall adopt appropriate provisions to ensure the effective application of this Regulation.

ARTICLE 43
Repeal of Commission Decision 2005/909/EC

Commission Decision 2005/909/EC is hereby repealed.

ARTICLE 44
Entry into force

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

It shall apply from 17 June 2016.

However, Article 16(6) shall apply from 17 June 2017.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

ANNEX I

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Acting in accordance with the ordinary legislative procedure[2],

Whereas:

1 In its communication of 11 December 2019 entitled 'The European Green Deal' (the 'Green Deal'), the European Commission made a commitment to review the provisions concerning non-financial reporting of Directive 2013/34/EU of the European Parliament and of the Council[3]. The Green Deal is the new growth strategy of the Union. It aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases (GHG) by 2050. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of Union citizens from environment-related risks and impacts. The Green Deal aims to decouple economic growth from resource use, and ensure that all regions and Union citizens participate in a socially just transition to a sustainable economic system whereby no person and no place is left behind. It will contribute to the objective of building an economy that works for the people, strengthening the Union's social market economy, helping to ensure that it is ready for the future and that it delivers stability, jobs, growth and sustainable investment.

These goals are especially important considering the socio-economic damage caused by the COVID-19 pandemic and the need for a sustainable, inclusive and fair recovery. Regulation (EU) 2021/1119 of the European Parliament and of the Council[4] makes the objective of climate neutrality by 2050 binding in the Union. Moreover, in its Communication of 20 May 2020 entitled 'EU Biodiversity Strategy for 2030: Bringing nature back into our lives', the Commission commits to ensuring that by 2050 all of the world's ecosystems are restored, resilient and adequately protected. That strategy aims to put Europe's biodiversity on a path to recovery by 2030.

2 In its Communication of 8 March 2018 entitled 'Action Plan: Financing Sustainable Growth' (the 'Action Plan on Financing Sustainable Growth'), the Commission set out measures to achieve the following objectives: reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues, and foster transparency and long-termism in financial and economic activity. The disclosure by certain categories of undertakings of relevant,

[1] OJ C 517, 22.12.2021, p. 51.
[2] Position of the European Parliament of 10 November 2022 (not yet published in the Official Journal) and decision of the Council of 28 November 2022.
[3] 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).
[4] 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).

comparable and reliable sustainability information is a prerequisite for meeting those objectives. The European Parliament and the Council have adopted a number of legislative acts as part of the implementation of the Action Plan on Financing Sustainable Growth. Regulation (EU) 2019/2088 of the European Parliament and of the Council[5] governs how financial market participants and financial advisers are to disclose sustainability information to end investors and asset owners.

Regulation (EU) 2020/852 of the European Parliament and of the Council[6] creates a classification system of environmentally sustainable economic activities with the aim of scaling up sustainable investments and combatting greenwashing of financial products that unduly claim to be sustainable. Regulation (EU) 2019/2089 of the European Parliament and of the Council[7], complemented by Commission Delegated Regulations (EU) 2020/1816[8], (EU) 2020/1817[9] and (EU) 2020/1818[10], introduces environmental, social and governance ('ESG') disclosure requirements for benchmark administrators and minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

Regulation (EU) No 575/2013 of the European Parliament and of the Council[11] requires large institutions which have issued securities that are admitted to trading on a regulated market to disclose information on ESG risks from 28 June 2022. The prudential framework for investment firms established by Regulation (EU) 2019/2033 of the European Parliament and of the Council[12] and Directive (EU) 2019/2034 of the European Parliament and of the Council[13] contains provisions concerning the introduction of an ESG risk dimension in the Supervisory Review and Evaluation Process ('SREP') by competent authorities, and contains ESG risk disclosure requirements for investment firms, applicable from 26 December 2022. On 6 July 2021, the Commission also adopted a proposal for a Regulation of the European Parliament and of the Council on European green bonds, following up on the Action Plan on Financing Sustainable Growth.

3 In its Communication of 17 June 2019 entitled 'Guidelines on non-financial reporting: Supplement on reporting climate-related information' ('Guidelines on reporting climate-related information'), the Commission highlighted the benefits for companies of reporting on climate-related information particularly by increasing awareness and understanding of climate-related risks and opportunities within the company, diversifying the investor base, creating a lower cost of capital and improving constructive dialogue with all stakeholders. Furthermore, diversity on company boards might have an influence on decision-making, corporate governance and resilience.

4 In its conclusions of 5 December 2019 on the deepening of the Capital Markets Union, the Council stressed the importance of reliable, comparable and relevant information on sustainability risks,

[5] 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).
[6] 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).
[7] Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks (OJ L 317, 9.12.2019, p. 17).
[8] 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).
[9] 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).
[10] 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).
[11] 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).
[12] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1).
[13] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019, p. 64).

opportunities and impacts, and called on the Commission to consider the development of a European non-financial reporting standard.

5 In its resolution of 29 May 2018 on sustainable finance[14] the European Parliament called for the further development of non-financial reporting requirements in the framework of Directive 2013/34/EU. In its resolution of 17 December 2020 on sustainable corporate governance[15], the European Parliament welcomed the Commission's commitment to review Directive 2013/34/EU and expressed the need to set up a comprehensive Union framework on non-financial reporting that contains mandatory Union non-financial reporting standards. The European Parliament called for the expansion of the scope of the reporting requirements to additional categories of undertakings and for the introduction of an audit requirement.

6 In its resolution of 25 September 2015 entitled 'Transforming our world: the 2030 Agenda for Sustainable Development' (the '2030 Agenda') the United Nations (UN) General Assembly adopted a new global sustainable development framework. The 2030 Agenda has at its core the UN Sustainable Development Goals ('SDGs') and covers the three dimensions of sustainability: economic, social and environmental. The Commission Communication of 22 November 2016 entitled 'Next steps for a sustainable European future: European action for sustainability' linked the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both within and outside the Union, take those goals on board at the outset. In its conclusions of 20 June 2017 on 'A sustainable European future: The EU response to the 2030 Agenda for Sustainable Development', the Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, in close cooperation with partners and other stakeholders.

7 Directive 2014/95/EU of the European Parliament and of the Council[16] amended Directive 2013/34/EU as regards disclosure of non-financial information by certain large undertakings and groups. Directive 2014/95/EU introduced a requirement on undertakings to report information on, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. With regard to those topics, Directive 2014/95/EU required undertakings to disclose information under the following reporting areas: business model; policies, including due diligence processes; the outcome of those policies; risks and risk management; and key performance indicators relevant to the business.

8 Many stakeholders consider the term 'non-financial' to be inaccurate, in particular because it implies that the information in question has no financial relevance. Increasingly, however, such information does have financial relevance. Many organisations, initiatives and practitioners in the field of sustainability reporting refer to 'sustainability information'. It is therefore preferable to use the term 'sustainability information' in place of 'non-financial information'. Directive 2013/34/EU should therefore be amended to take account of that change in terminology.

9 If undertakings carried out better sustainability reporting, the ultimate beneficiaries would be individual citizens and savers, including trade unions and workers' representatives who would be adequately informed and therefore able to better engage in social dialogue. Savers who want to invest sustainably will have the opportunity to do so, while all citizens would benefit from a stable, sustainable and inclusive economic system. To realise such benefits, the sustainability information disclosed in the annual reports of undertakings first has to reach two primary groups of users. The first group of users consists of investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment. The second group of users consists of civil society actors, including non-governmental organisations and social partners, which wish to better hold undertakings to account for their impacts on people and the environment. Other stakeholders might

[14] OJ C 76, 9.3.2020, p. 23.
[15] OJ C 445, 29.10.2021, p. 94.
[16] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1).

also make use of sustainability information disclosed in annual reports, in particular to foster comparability across and within market sectors.

The business partners of undertakings, including customers, might rely on sustainability information to understand and, where necessary, report on their sustainability risks and impacts throughout their own value chains. Policy makers and environmental agencies can use such information, in particular on an aggregate basis, to monitor environmental and social trends, to contribute to environmental accounts, and to inform public policy. Few individual citizens and consumers directly consult undertakings' annual reports, but they might use sustainability information indirectly, for example, when considering the advice or opinions of financial advisers or non-governmental organisations. Many investors and asset managers purchase sustainability information from third-party data providers, who collect information from various sources, including public corporate reports.

10 The market for sustainability information is rapidly growing, and the role of third-party data providers is gaining in importance given the new obligations that investors and asset managers need to fulfil. With the increased availability of disaggregated data, sustainability information should come at a more reasonable cost. The amendments to Directive 2013/34/EU provided for in this amending Directive are expected to increase the comparability of data and harmonise standards. It is expected that the practices of third-party data providers will improve and that expertise will grow in this area, with a potential for job creation.

11 There has been a very significant increase in demand for corporate sustainability information in recent years, especially on the part of the investment community. That increase in demand is driven by the changing nature of risks to undertakings and growing investor awareness of the financial implications of those risks. That is especially the case for climate-related financial risks. There is also growing awareness of the risks and opportunities for undertakings and for investments resulting from other environmental issues, such as biodiversity loss, and from health and social issues, including child labour and forced labour. The increase in demand for sustainability information is also driven by the growth in investment products that explicitly seek to meet certain sustainability standards or achieve certain sustainability objectives and to ensure coherence with the ambition of the Paris Agreement under the United Nations Framework Convention on Climate Change adopted on 12 December 2015 (the 'Paris Agreement'), the UN Convention on Biological Diversity and Union policies. Part of that increase is the logical consequence of previously adopted Union legislation, notably Regulations (EU) 2019/2088 and (EU) 2020/852. Some of that increase would have happened in any case, due to fast-changing citizen awareness, consumer preferences and market practices. The COVID-19 pandemic has further accelerated the increase in users' information needs, in particular as it has exposed the vulnerabilities of workers and undertakings' value chains. Information on environmental impacts is also relevant in the context of mitigating future pandemics, with human disturbance of ecosystems being increasingly linked to the occurrence and spread of diseases.

12 Undertakings themselves stand to benefit from carrying out high-quality reporting on sustainability matters. The growth in the number of investment products that aim to pursue sustainability objectives means that good sustainability reporting can enhance an undertaking's access to financial capital. Sustainability reporting can help undertakings to identify and manage their own risks and opportunities related to sustainability matters. It can provide a basis for better dialogue and communication between undertakings and their stakeholders, and can help undertakings to improve their reputation. Moreover, a consistent basis for sustainability reporting in the form of sustainability reporting standards would lead to relevant and sufficient information being provided and thus significantly decrease ad hoc requests for information.

13 The Commission report of 21 April 2021 on the review clauses in Directives 2013/34/EU, 2014/95/EU, and 2013/50/EU and its accompanying fitness check on the EU framework for public reporting by companies ('Commission report on the review clauses and its accompanying fitness check') identified problems as to the effectiveness of Directive 2014/95/EU. There is significant evidence that many undertakings do not disclose material information on all major sustainability-related topics, including climate-related information such as all GHG emissions, and factors that

affect biodiversity. The report also identified the limited comparability and reliability of sustainability information as significant problems. Additionally, many undertakings from which users need sustainability information are not obliged to report such information. Accordingly, there is a clear need for a robust and affordable reporting framework that is accompanied by effective auditing practices to ensure the reliability of data and avoid greenwashing and double counting.

14 In the absence of policy action, the gap between users' information needs and the sustainability information provided by undertakings is expected to grow. That gap has significant negative consequences. Investors are unable to take sufficient account of sustainability-related risks and opportunities in their investment decisions. The aggregation of multiple investment decisions that do not take adequate account of sustainability-related risks has the potential to create systemic risks that threaten financial stability. The European Central Bank (ECB) and international organisations, such as the Financial Stability Board, have drawn attention to those systemic risks, in particular as regards climate. Investors are also less able to channel financial resources to undertakings and economic activities that address and do not exacerbate social and environmental problems, which undermines the objectives of the Green Deal, the Action Plan on Financing Sustainable Growth and the Paris Agreement. Non-governmental organisations, social partners, communities affected by undertakings' activities, and other stakeholders are less able to hold undertakings accountable for their impacts on people and the environment. This creates an accountability deficit and could lead to lower levels of citizen trust in businesses, which in turn could have negative impacts on the efficient functioning of the social market economy. The lack of generally accepted metrics and methods for measuring, valuing, and managing sustainability-related risks is also an obstacle to the efforts of undertakings to ensure that their business models and activities are sustainable. The lack of sustainability information provided by undertakings also limits the ability of stakeholders, including civil society actors, trade unions and workers' representatives, to enter into dialogue with undertakings on sustainability matters.

15 The Commission report on the review clauses and its accompanying fitness check also identified a significant increase in requests to undertakings for information about sustainability matters aimed at addressing the existing information gap between users' information needs and the available corporate sustainability information. In addition, ongoing expectations on undertakings to use a variety of different frameworks and standards are likely to continue and may even intensify as the value placed on sustainability information continues to grow. In the absence of policy action to build consensus on the information that undertakings should report, there will be significant increases in terms of cost and burden for reporting undertakings and for users of such information.

16 The existing information gap makes it more likely that individual Member States will introduce increasingly divergent national rules or standards. Different reporting requirements in different Member States could create additional costs and complexity for undertakings operating across borders and therefore undermine the internal market, and could undermine the right of establishment and the free movement of capital across the Union. Such different reporting requirements could also make reported information less comparable across borders, undermining the capital markets union.

17 Articles 19a and 29a of Directive 2013/34/EU apply to large undertakings that are public-interest entities with an average number of employees in excess of 500, and to public-interest entities that are parent undertakings of a large group with an average number of employees in excess of 500 on a consolidated basis, respectively. In view of the growth of users' needs for sustainability information, additional categories of undertakings should be required to report sustainability information. It is therefore appropriate to require all large undertakings and all undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union to report sustainability information. The provisions of this amending Directive amending Articles 19a and 29a of Directive 2013/34/EU explicitly set out the scope of the reporting requirements with reference to Articles 2 and 3 of Directive 2013/34/EU. Therefore, they do not simplify or modify another requirement and the restriction of exemptions for public-interest entities provided for in Article 40 of Directive 2013/34/EU does not apply. In particular, public-interest entities should not be treated as large undertakings for the purposes of the application of the sustainability reporting requirements. Accordingly, small and medium-sized undertakings whose securities are admitted to

trading on a regulated market in the Union that are public-interest entities should be allowed to report in accordance with the sustainability reporting standards for small and medium-sized undertakings. In addition, all undertakings that are parent undertakings of large groups should prepare sustainability reporting at group level. Moreover, since Article 8 of Regulation (EU) 2020/852 refers to Article 19a and Article 29a of Directive 2013/34/EU, the undertakings added to the scope of the sustainability reporting requirements will also have to comply with Article 8 of Regulation (EU) 2020/852.

18 The requirement provided for in this amending Directive that also large undertakings whose securities are not admitted to trading on a regulated market in the Union should disclose information on sustainability matters is mainly justified by concerns about the impacts and accountability of such undertakings, including through their value chain. In this respect, all large undertakings should be subject to the same requirements to report sustainability information publicly. In addition, financial market participants also need information from those large undertakings whose securities are not admitted to trading on a regulated market in the Union.

19 The requirement provided for in this amending Directive that third-country undertakings whose securities are admitted to trading on a regulated market in the Union should also disclose information on sustainability matters is aimed at responding to the needs of financial market participants for information from such undertakings in order to enable them to understand the risks and impacts of their investments and to comply with the disclosure requirements laid down in Regulation (EU) 2019/2088.

20 Third-country undertakings which have a significant activity on the territory of the Union should also be required to provide sustainability information, especially on their impacts on social and environmental matters, in order to ensure that third-country undertakings are accountable for their impacts on people and the environment and that there is a level playing field for companies operating in the internal market. Therefore, third-country undertakings which generate a net turnover of more than EUR 150 million in the Union and which have a subsidiary undertaking or a branch on the territory of the Union should be subject to Union sustainability reporting requirements. To ensure the proportionality and enforceability of such requirements, the threshold of having a net turnover of more than EUR 40 million should apply to the branches of third-country undertakings, and the thresholds related to being considered a large undertaking or a small or medium-sized undertaking, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union should apply to the subsidiary undertakings of third-country undertakings, as such subsidiary undertakings and branches should be responsible for publishing the sustainability report of the third-country undertaking. The sustainability reports published by the subsidiary undertaking or branch of a third-country undertaking should be prepared in accordance with standards to be adopted by 30 June 2024 by the Commission through delegated acts.

The subsidiary undertaking or branch of a third-country undertaking should also be able to report in accordance with the standards applying to undertakings established in the Union, or in accordance with standards which are deemed equivalent pursuant to an implementing act. In the event that not all the information required under this amending Directive is provided by the third-country undertaking, despite the best efforts of the subsidiary undertaking or branch of that third-country undertaking to obtain the necessary information, that subsidiary undertaking or branch should provide all the information in its possession and issue a statement indicating that the third-country undertaking did not make the rest of the required information available. In order to ensure the quality and reliability of the reporting, the sustainability reports of third-country undertakings should be published accompanied by an assurance opinion expressed by a person or firm authorised to give an opinion on the assurance of sustainability reporting, either under the national law of the third-country undertaking or of a Member State. In the event that such an assurance opinion is not provided, the subsidiary undertaking or branch of the third-country undertaking should issue a statement indicating that the third-country undertaking did not provide the necessary assurance opinion. The sustainability report should be made accessible free of charge to the public through the central, commercial or companies registers of the Member States, or alternatively on the website of the subsidiary undertaking or the branch of the third-country undertaking.

Member States should be able to inform the Commission on an annual basis of the subsidiary undertakings or branches of the third-country undertakings that fulfilled the publication requirement and of the cases where a report was published but the subsidiary undertaking or branch of the third-country undertaking has stated that it could not get the necessary information from the third-country undertaking. The Commission should make publicly available on its website a list of the third-country undertakings that have published a sustainability report.

21 Considering the growing relevance of sustainability-related risks and taking into account that small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union comprise a significant proportion of all undertakings whose securities are admitted to trading on a regulated market in the Union, in order to ensure investor protection, it is appropriate to require that also small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union disclose information on sustainability matters. The introduction of such a requirement will help to ensure that financial market participants can include smaller undertakings whose securities are admitted to trading on a regulated market in the Union in investment portfolios, on the basis that they report the sustainability information that financial market participants need.

It will therefore help to protect and enhance the access of smaller undertakings whose securities are admitted to trading on a regulated market in the Union to financial capital, and avoid discrimination against such undertakings on the part of financial market participants. The introduction of the requirement for small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union to disclose information on sustainability matters is also necessary to ensure that financial market participants have the information they need from investee undertakings to be able to comply with their own sustainability disclosure requirements laid down in Regulation (EU) 2019/2088. Small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union should be given the possibility of reporting in accordance with standards that are proportionate to their capacities and resources, and relevant to the scale and complexity of their activities. Small and medium-sized undertakings whose securities are not admitted to trading on a regulated market in the Union should also have the possibility of choosing to use such proportionate standards on a voluntary basis.

The sustainability reporting standards for small and medium-sized undertakings will constitute a reference for undertakings that are within the scope of the requirements introduced by this amending Directive regarding the level of sustainability information that they could reasonably request from small and medium-sized undertakings that are suppliers or clients in the value chains of such undertakings. Small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union should, in addition, be given sufficient time to prepare for the application of the provisions requiring sustainability reporting, due to their smaller size and more limited resources, and taking account of the difficult economic circumstances created by the COVID-19 pandemic. Therefore, the provisions on corporate sustainability reporting as regards small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union should apply for financial years starting on or after 1 January 2026. Following that date, for a transitional period of two years, small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union should have the possibility of opting-out from the sustainability reporting requirements laid down in this amending Directive, provided they briefly state in their management report why the sustainability information has not been provided.

22 Member States should be free to assess the impact of their national transposition measures on small and medium-sized undertakings, in order to ensure that they are not disproportionately affected, with specific attention to be given to micro-undertakings and to avoiding an unnecessary administrative burden. Member States should consider introducing measures to support small and medium-sized undertakings in applying the sustainability reporting standards.

23 Directive 2004/109/EC of the European Parliament and of the Council[17] applies to undertakings whose securities are admitted to trading on a regulated market in the Union. In order to ensure that undertakings whose securities are admitted to trading on a regulated market in the Union, including third-country issuers, fall under the same sustainability reporting requirements, Directive 2004/109/EC should contain the necessary cross-references to any requirement on sustainability reporting in the annual financial report.

24 Point (i) of the first subparagraph of Article 23(4) and the fourth subparagraph of Article 23(4) of Directive 2004/109/EC empower the Commission to adopt measures to set up a mechanism for the determination of equivalence of information required under that Directive, and for the establishment of general equivalence criteria regarding accounting standards, respectively. The third subparagraph of Article 23(4) of Directive 2004/109/EC also empowers the Commission to take the necessary decisions on the equivalence of accounting standards which are used by third-country issuers. In order to reflect the inclusion of the sustainability requirements in Directive 2004/109/EC, the Commission should be empowered to establish a mechanism for the determination of equivalence of sustainability reporting standards applied by third-country issuers, similar to what is provided for in Commission Regulation (EC) No 1569/2007[18] which sets out the criteria for the determination of equivalence of accounting standards applied by third-country issuers. For the same reason, the Commission should also be empowered to take the necessary decisions on the equivalence of sustainability reporting standards that are used by third-country issuers. The amendments introduced by this amending Directive will ensure consistent equivalence regimes for sustainability reporting requirements and for financial reporting requirements regarding the annual financial report.

25 Article 19a(3) and Article 29a(3) of Directive 2013/34/EU exempt all subsidiary undertakings from the obligation to report non-financial information where such undertakings and their subsidiary undertakings are included in the consolidated management report of their parent undertaking, provided that report includes non-financial information reported pursuant to that Directive. It is necessary, however, to ensure that sustainability information is easily accessible for users, and to ensure that there is transparency as regards which parent undertaking of the exempted subsidiary undertaking is reporting at group level. It is therefore necessary to require those subsidiary undertakings to include in their management report the name and registered office of the parent undertaking that is reporting sustainability information at group level, the weblinks to the consolidated management report of their parent undertaking and a reference in their management report to the fact that they are exempted from sustainability reporting. Member States should be able to require that the parent undertaking publish the consolidated management report in the languages they accept and that the parent undertaking provide any necessary translation in such languages. Such exemption should also apply where the parent undertaking reporting at group level is a third-country undertaking reporting sustainability information in accordance with equivalent sustainability reporting standards.

Directive 2004/109/EC, as amended by this amending Directive, should provide for appropriate mechanisms to determine the equivalence of sustainability reporting standards, and undertakings whose securities are admitted to trading on a regulated market in the Union and undertakings whose securities are not admitted to trading on a regulated market in the Union should be required to report in accordance with the same sustainability reporting standards. In this context, the implementing acts adopted by the Commission pursuant to point (i) of the first subparagraph of Article 23(4) and the fourth subparagraph of Article 23(4) of Directive 2004/109/EC establishing a mechanism for the determination of equivalence of standards should be used to determine whether to exempt subsidiary undertakings of third-country parent undertakings under the regime of Directive 2013/34/EU. Therefore, the subsidiary undertaking should be exempted when the consolidated sustainability reporting is carried out in accordance with the sustainability reporting standards

[17] 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).

[18] Commission Regulation (EC) No 1569/2007 of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council (OJ L 340, 22.12.2007, p. 66).

adopted by the Commission pursuant to Article 29b of Directive 2013/34/EU introduced by this amending Directive 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. Such exemption should not apply to large undertakings whose securities are admitted to trading on a regulated market in the Union for reasons of investor protection, in order to ensure greater transparency as regards such undertakings.

26 Article 23 of Directive 2013/34/EU exempts parent undertakings from the obligation to prepare consolidated financial statements and a consolidated management report where parent undertakings are subsidiary undertakings of another parent undertaking that complies with that obligation. It should be specified, however, that the exemption regime for consolidated financial statements and consolidated management reports operates independently from the exemption regime for consolidated sustainability reporting. An undertaking can therefore be exempted from consolidated financial reporting requirements but not from consolidated sustainability reporting requirements where its ultimate parent undertaking prepares consolidated financial statements and consolidated management reports in accordance with Union law, or in accordance with equivalent requirements if the undertaking is established in a third country, but does not carry out consolidated sustainability reporting in accordance with Union law, or in accordance with equivalent requirements if the undertaking is established in a third country. It is necessary that parent undertakings reporting at group level provide an adequate understanding of the risks for, and impacts of, their subsidiary undertakings, including information on their due diligence processes where appropriate. There might be cases where the differences between the situation of the group and that of its individual subsidiary undertakings, or between the situation of individual subsidiary undertakings in different territories are particularly significant and would, in the absence of additional information about the individual subsidiary undertaking concerned, cause the user of the information to reach a substantially different conclusion about the risks for, or impacts of, the subsidiary undertaking.

27 Credit institutions and insurance undertakings play a key role in the transition towards a fully sustainable and inclusive economic and financial system in line with the Green Deal. They can have significant positive and negative impacts via their lending, investment and underwriting activities. Credit institutions and insurance undertakings other than those that are required to comply with Directive 2013/34/EU, including cooperatives and mutual undertakings, should therefore be subject to sustainability reporting requirements, provided that they meet certain size criteria. Users of sustainability information would thus be enabled to assess both the impacts of such credit institutions and insurance undertakings on society and the environment and the risks arising from sustainability matters that such credit institutions and insurance undertakings could face. Directive 2013/34/EU provides for three possible criteria to determine whether an undertaking is to be considered a 'large undertaking', namely the balance sheet total, net turnover and the average number of employees during the financial year.

The criterion of net turnover needs to be adapted for credit institutions and for insurance undertakings by referring to the definition of net turnover in Council Directives 86/635/EEC[19] and 91/674/EEC[20] instead of the general definition laid down in Directive 2013/34/EU. To ensure coherence with the reporting requirements of Directive 86/635/EEC, Member States should be able to choose not to apply sustainability reporting requirements to credit institutions listed in Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council[21].

28 The list of sustainability matters on which undertakings are required to report should be as consistent as possible with the definition of the term 'sustainability factors' laid down in Regulation (EU)

[19] 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).
[20] 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).
[21] 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).

2019/2088, and should prevent a mismatch between information required by data users and information to be reported by undertakings. That list should also correspond to the needs and expectations of users and undertakings, who often use the terms ‘environmental’, ‘social’ and ‘governance’ as a means of categorising the three main sustainability matters. However, the definition of the term ‘sustainability factors’ laid down in Regulation (EU) 2019/2088 does not explicitly include governance matters. The definition of the term ‘sustainability matters’ in Directive 2013/34/EU as amended by this amending Directive should therefore cover environmental, social and human rights, and governance factors, and incorporate the definition of the term ‘sustainability factors’ laid down in Regulation (EU) 2019/2088. The reporting requirements of Directive 2013/34/EU should be without prejudice to national reporting obligations.

29 Article 19a(1) and Article 29a(1) of Directive 2013/34/EU require reporting not only on information to the extent necessary for an understanding of the undertaking’s development, performance and position, but also on information necessary for an understanding of the impact of the undertaking’s activities on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. Those Articles therefore require undertakings to report both on the impacts of the activities of the undertaking on people and the environment, and on how sustainability matters affect the undertaking. That is referred to as the double materiality perspective, in which the risks to the undertaking and the impacts of the undertaking each represent one materiality perspective. The fitness check on corporate reporting shows that those two perspectives are often not well understood or applied. It is therefore necessary to clarify that undertakings should consider each materiality perspective in its own right, and should disclose information that is material from both perspectives as well as information that is material from only one perspective.

30 Article 19a(1) and Article 29a(1) of Directive 2013/34/EU require undertakings to disclose information about five reporting areas: business model; policies, including due diligence processes implemented; the outcome of those policies; risks and risk management; and key performance indicators relevant to the business. Article 19a(1) of Directive 2013/34/EU does not contain explicit references to other reporting areas that users of information consider relevant, some of which align with disclosures included in international frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures. Disclosure requirements should be specified in sufficient detail to ensure that undertakings report information on their resilience in relation to risks related to sustainability matters. In addition to the reporting areas identified in Article 19a(1) and Article 29a(1) of Directive 2013/34/EU, undertakings should be required to disclose information about their business strategy and the resilience of the business model and strategy in relation to risks related to sustainability matters. They should also be required to disclose any plans they may have to ensure that their business model and strategy are compatible with the transition to a sustainable economy and with the objectives of limiting global warming to 1,5 °C in line with the Paris Agreement and achieving climate neutrality by 2050, as established in Regulation (EU) 2021/1119, with no or limited overshoot.

It is especially important that plans related to the climate be based on the latest science, including Intergovernmental Panel on Climate Change (IPCC) reports and reports by the European Scientific Advisory Board on Climate Change. Information disclosed in accordance with Article 8 of Regulation (EU) 2020/852 about the amount of capital expenditure (CapEx) or operating expenditure (OpEx) associated with taxonomy-aligned activities could support financial and investment plans related to such plans where appropriate. Undertakings should also be required to disclose whether and how their business model and strategy take account of the interests of stakeholders; any opportunities for the undertaking arising from sustainability matters; the implementation of the aspects of the business strategy which affect, or are affected by, sustainability matters; any sustainability targets set by the undertaking and the progress made towards achieving them; the role of the board and management with regard to sustainability matters; the principal actual and potential adverse impacts connected with the undertaking’s activities; and how the undertaking has identified the information that it reports on. Once the disclosure of elements, such as targets and the progress towards achieving them, is required, a separate requirement to disclose the outcomes of policies is no longer necessary.

31 To ensure consistency with international instruments such as the UN 'Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework' ('UN Guiding Principles on Business and Human Rights'), the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct, the due diligence disclosure requirements should be specified in greater detail than is currently the case in point (b) of Article 19a(1) and point (b) of Article 29a(1) of Directive 2013/34/EU. Due diligence is the process that undertakings carry out to identify, monitor, prevent, mitigate, remediate or bring an end to the principal actual and potential adverse impacts connected with their activities and identifies how undertakings address those adverse impacts. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's value chain. The due diligence process concerns the whole value chain of the undertaking including its own operations, its products and services, its business relationships and its supply chains. In line with the UN Guiding Principles on Business and Human Rights, an actual or potential adverse impact is to be considered a principal impact where it ranks among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people or the environment; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state.

32 Directive 2013/34/EU does not require the disclosure of information on intangible resources other than intangible assets recognised in the balance sheet. It is widely recognised that information on intangible assets and other intangible factors, including internally generated intangible resources, is underreported, impeding the proper assessment of an undertaking's development, performance and position, and the monitoring of investments. To enable investors to better understand the increasing gap between the accounting book value of many undertakings and their market valuation, which is observed in many sectors of the economy, adequate reporting on intangible resources should be required of all large undertakings and all undertakings, except micro-undertakings, whose securities are admitted to trading on a regulated market in the Union. Nonetheless, certain information on intangible resources is intrinsic to sustainability matters, and should therefore be part of sustainability reporting. For example, information about employees' skills, competences, experience, loyalty to the undertaking and motivation for improving processes, goods and services, is sustainability information regarding social matters that could also be considered as information on intangible resources. Likewise, information about the quality of the relationships between the undertaking and its stakeholders, including customers, suppliers and communities affected by the activities of the undertaking, is sustainability information relevant to social or governance matters that could also be considered as information on intangible resources. Such examples illustrate how in some cases it is not possible to distinguish information on intangible resources from information on sustainability matters.

33 Article 19a(1) and Article 29a(1) of Directive 2013/34/EU do not specify whether the information to be reported is to be forward-looking or information about past performance. There is currently a lack of forward-looking disclosures, which users of sustainability information especially value. Articles 19a and 29a of Directive 2013/34/EU should therefore specify that the sustainability information reported is to include forward-looking and retrospective information and both qualitative and quantitative information. Information should be based on conclusive scientific evidence where appropriate. Information should also be harmonized, comparable and based on uniform indicators where appropriate, while allowing for reporting that is specific to individual undertakings and does not endanger the commercial position of the undertaking. Reported sustainability information should also take into account short-, medium- and long-term time horizons and contain information about the undertaking's whole value chain, including its own operations, its products and services, its business relationships and its supply chain, as appropriate. Information about the undertaking's whole value chain would include information related to its value chain within the Union and information that covers third countries if the undertaking's value chain extends outside the Union. For the first three years of the application of the measures to be adopted by the Member States in accordance with this amending Directive, in the event that not all the necessary information regarding the value chain is available, the undertaking should explain the

efforts made to obtain the information about its value chain, the reasons why that information could not be obtained, and the plans of the undertaking to obtain such information in the future.

34 It is not the objective of this amending Directive to require undertakings to disclose intellectual capital, intellectual property, know-how or the results of innovation that would qualify as trade secrets as defined in Directive (EU) 2016/943 of the European Parliament and of the Council[22]. Reporting requirements provided for in this amending Directive should therefore be without prejudice to Directive (EU) 2016/943.

35 Article 19a(1) and Article 29a(1) of Directive 2013/34/EU require undertakings to include in their non-financial reporting references to, and additional explanations of, amounts reported in the annual financial statements. Those Articles do not, however, require undertakings to make references to other information in the management report or to add additional explanations to that information. Thus, there is currently a lack of consistency between non-financial information reported and the rest of the information disclosed in the management report. It is necessary to lay down clear requirements in this regard.

36 Article 19a(1) and Article 29a(1) of Directive 2013/34/EU require undertakings to provide a clear and reasoned explanation for not pursuing policies in relation to one or more of the matters listed in those Articles, where the undertaking does not do so. The different treatment of disclosures on the policies that undertakings may have, compared to the other reporting areas included in those Articles, has created confusion among reporting undertakings and has not helped to improve the quality of the reported information. Therefore, there is no need to maintain such different treatment of policies in that Directive. The sustainability reporting standards should determine what information needs to be disclosed in relation to each of the reporting areas mentioned in Articles 19a and 29a of Directive 2013/34/EU as amended by this amending Directive.

37 Undertakings that fall under the scope of Article 19a(1) and Article 29a(1) of Directive 2013/34/EU may rely on national, Union-based or international reporting frameworks, and where they do so, they have to specify which frameworks they have relied upon. However, Directive 2013/34/EU does not require undertakings to use a common reporting framework or standard, and it does not prevent undertakings from choosing not to use any reporting framework or standards at all. As required by Article 2 of Directive 2014/95/EU, on 5 July 2017, the Commission adopted a Communication entitled 'Guidelines on non-financial reporting (methodology for reporting non-financial information)' ('Guidelines on non-financial reporting'), providing for non-binding guidelines for undertakings that fall under the scope of that Directive.

On 17 June 2019, the Commission adopted its Guidelines on reporting climate-related information, containing additional guidelines, specifically on reporting climate-related information. Those Guidelines on reporting climate-related information explicitly incorporated the recommendations of the Task Force on Climate-related Financial Disclosures. Available evidence indicates that the Guidelines on non-financial reporting did not have a significant impact on the quality of non-financial reporting by undertakings under the scope of Articles 19a and 29a of Directive 2013/34/EU. The voluntary nature of the guidelines means that undertakings are free to decide whether to apply them or not. The guidelines can therefore not ensure on their own the comparability of the information disclosed by different undertakings, or the disclosure of all information that users of that information consider relevant. That is why there is a need for mandatory common sustainability reporting standards to ensure that information is comparable and that all relevant information is disclosed. Building on the double materiality principle, standards should cover all information that is material to users of that information. Common sustainability reporting standards are also necessary to enable the assurance and digitalisation of sustainability reporting and to facilitate its supervision and enforcement.

[22] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJ L 157, 15.6.2016, p. 1)

The development of mandatory common sustainability reporting standards is necessary to reach a situation in which sustainability information has a status comparable to that of financial information. The adoption of sustainability reporting standards by means of delegated acts would ensure harmonised sustainability reporting across the Union. Therefore, an undertaking would be compliant with the sustainability reporting requirements of Directive 2013/34/EU by reporting in accordance with the sustainability reporting standards. When defining such standards, it is essential to give due consideration, to the greatest extent possible, to the main sustainability reporting standards used worldwide, while not lowering the ambition of this amending Directive and delegated acts adopted pursuant thereto.

38 No existing standard or framework satisfies the Union's needs for sustainability reporting by itself. Information required by Directive 2013/34/EU needs to cover information relevant from each of the materiality perspectives, needs to cover all sustainability matters and needs to be aligned, where appropriate, with other obligations under Union law to disclose sustainability information, including obligations laid down in Regulations (EU) 2019/2088 and (EU) 2020/852. In addition, mandatory sustainability reporting standards for Union undertakings should be commensurate with the level of ambition of the Green Deal and the Union's objective of climate neutrality by 2050 as well as with the intermediate targets under Regulation (EU) 2021/1119. It is therefore necessary to empower the Commission to adopt Union sustainability reporting standards, enabling their rapid adoption and ensuring that the content of those sustainability reporting standards is consistent with the Union's needs.

39 The European Financial Reporting Advisory Group (EFRAG) is a non-profit association established under Belgian law that serves the public interest by providing advice to the Commission on the endorsement of international financial reporting standards. EFRAG has established a reputation as a European centre of expertise on corporate reporting and is well placed to foster coordination between Union sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world. In March 2021, a multi-stakeholder task force set up by EFRAG published recommendations for the possible development of sustainability reporting standards for the Union. Those recommendations contain proposals to develop a coherent and comprehensive set of sustainability reporting standards, covering all sustainability matters from a double materiality perspective. Those recommendations also contain a detailed roadmap for developing such standards, and proposals for mutually reinforcing cooperation between global standard-setting initiatives and standard-setting initiatives of the Union. In March 2021, the EFRAG Board President published recommendations for possible governance changes to EFRAG in the event that it were to be asked to develop technical advice about sustainability reporting standards. The EFRAG Board President's recommendations include the setting up of a new sustainability reporting pillar within EFRAG, while not significantly modifying the existing financial reporting pillar. In March 2022, the EFRAG General Assembly appointed the members of the newly created EFRAG Sustainability Reporting Board. When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop.

In order to ensure high-quality standards that contribute to the European public good and meet the needs of undertakings and of users of the information reported, EFRAG should have sufficient public funding to ensure its independence. Its technical advice should be developed with proper due process, public oversight and transparency, and based on the expertise of a balanced representation of relevant stakeholders, including undertakings, investors, civil society organisations and trade unions, and should be accompanied by cost-benefit analyses. Participation in EFRAG's work at technical level should be conditional on expertise in sustainability reporting and should not be conditional on any financial contribution, without prejudice to the participation of public bodies and national standard-setting organisations in that work. A transparent process avoiding conflicts of interest should be guaranteed. To ensure that Union sustainability reporting standards take account of the views of the Member States, before adopting those standards the Commission should consult the Member State Expert Group on Sustainable Finance, referred to in Regulation (EU) 2020/852, (the 'Member State Expert Group on Sustainable Finance') and the Accounting Regulatory

Committee, referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council[23], (the 'Accounting Regulatory Committee') in relation to EFRAG's technical advice.

The European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) play a role in drafting regulatory technical standards pursuant to Regulation (EU) 2019/2088 and there needs to be coherence between those regulatory technical standards and sustainability reporting standards. Under Regulation (EU) No 1095/2010 of the European Parliament and of the Council[24], ESMA also plays a role in promoting supervisory convergence in the enforcement of corporate reporting by issuers whose securities are admitted to trading on a regulated market in the Union and who will be required to report in accordance with those sustainability reporting standards. Therefore, ESMA, EBA and EIOPA should be required to provide an opinion on EFRAG's technical advice. Such opinions should be provided within two months of the date of receipt of the request from the Commission. In addition, the Commission should consult the European Environment Agency, the European Union Agency for Fundamental Rights, the ECB, the Committee of European Auditing Oversight Bodies (CEAOB) and the Platform on Sustainable Finance to ensure that the sustainability reporting standards are coherent with relevant Union policy and law. Where any of those entities decide to submit an opinion, they should do so within two months of the date of being consulted by the Commission.

40 In order to foster democratic control, scrutiny and transparency, the Commission should, at least once a year, consult the European Parliament, and jointly the Member State Expert Group on Sustainable Finance and the Accounting Regulatory Committee on EFRAG's work programme as regards the development of sustainability reporting standards.

41 Sustainability reporting standards should be coherent with other Union law. Those standards should in particular be aligned with the disclosure requirements laid down in Regulation (EU) 2019/2088, and they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to Regulation (EU) 2020/852, disclosure requirements applicable to benchmark administrators pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council[25], the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks, and of any work carried out by the EBA in the implementation of the Pillar III disclosure requirements of Regulation (EU) No 575/2013.

Standards should take account of Union environmental law, including Regulation (EC) No 1221/2009 of the European Parliament and of the Council[26] and Directive 2003/87/EC of the European Parliament and of the Council,[27] and should take account of Commission Recommendation 2013/179/EU[28], its annexes and their updates. Other relevant Union law, including Directive 2010/75/EU of the European Parliament and of the Council[29], and other

[23] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).
[24] Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).
[25] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).
[26] 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).
[27] 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).
[28] 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).
[29] Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

requirements laid down in Union law for undertakings as regards directors' duties and due diligence should also be taken into account.

42 Sustainability reporting standards should take account of the Guidelines on non-financial reporting and the Guidelines on reporting climate-related information. They should also take account of other reporting requirements in Directive 2013/34/EU that are not directly related to sustainability, with the aim of providing the users of the reported information with a better understanding of the development, performance, position and impact of the undertaking, by maximising the links between the sustainability information and other information reported in accordance with Directive 2013/34/EU.

43 Sustainability reporting standards should be proportionate and should not impose an unnecessary administrative burden on companies that are required to use them. In order to minimise disruption for undertakings that already report sustainability information, sustainability reporting standards should take account of existing standards and frameworks for sustainability reporting and accounting where appropriate. Such existing standards and frameworks include the Global Reporting Initiative, the Sustainability Accounting Standards Board, the International Integrated Reporting Council, the International Accounting Standards Board, the Task Force on Climate-related Financial Disclosures, the Carbon Disclosure Standards Board, and CDP, formerly known as the Carbon Disclosure Project.

Union standards should take account of any sustainability reporting standards developed under the auspices of International Financial Reporting Standards Foundation. To avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, Union sustainability reporting standards should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the International Sustainability Standards Board (ISSB). Union sustainability reporting standards should reduce the risk of inconsistent reporting requirements for undertakings that operate globally by integrating the content of global baseline standards to be developed by the ISSB, to the extent that the content of those baseline standards is consistent with the Union's legal framework and the objectives of the Green Deal.

44 In the Green Deal the Commission committed itself to support businesses and other stakeholders in developing standardised natural capital accounting practices within the Union and internationally, with the aim of ensuring appropriate management of environmental risks and mitigation opportunities, and reduce related transaction costs.

The Transparent Project sponsored under the Programme for the Environment and Climate Action (LIFE programme) established by Regulation (EU) 2021/783 of the European Parliament and of the Council[30] is developing the first natural capital accounting methodology, which will make existing methods easier to compare and more transparent while lowering the threshold for companies to adopt and use the systems in support of future-proofing their business. The Natural Capital Protocol is also an important reference in the field of natural capital accounting. While natural capital accounting methods serve principally to strengthen internal management decisions, they should be duly considered when establishing sustainability reporting standards. Some natural capital accounting methodologies seek to assign a monetary value to the environmental impacts of companies' activities, which may help users of sustainability information to better understand such impacts. It is therefore appropriate that sustainability reporting standards should be able to include monetised indicators of sustainability impacts if that is deemed necessary.

45 Sustainability reporting standards should also take account of internationally recognised principles and frameworks on responsible business conduct, corporate social responsibility, and sustainable development, including the SDGs, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct and related sectoral guidelines, the Global Compact, the

[30] Regulation (EU) 2021/783 of the European Parliament and of the Council of 29 April 2021 establishing a Programme for the Environment and Climate Action (LIFE), and repealing Regulation (EU) No 1293/2013 (OJ L 172, 17.5.2021, p. 53).

International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the ISO 26000 standard on social responsibility, and the UN Principles for Responsible Investment.

46 It should be ensured that the information reported by undertakings in accordance with the sustainability reporting standards meets the needs of users and does not place a disproportionate burden in terms of effort and cost on the reporting undertakings and those that are indirectly affected as part of the value chain of those undertakings. The sustainability reporting standards should therefore specify the information that undertakings are to disclose on all major environmental factors, including their impacts and dependencies on climate, air, land, water and biodiversity. Regulation (EU) 2020/852 provides a classification of the environmental objectives of the Union.

For reasons of coherence, it is appropriate to use a similar classification to identify the environmental factors that should be addressed by sustainability reporting standards. The sustainability reporting standards should consider and specify any geographical or other contextual information that undertakings should disclose to provide an understanding of their principal impacts on sustainability matters and the principal risks to the undertaking arising from sustainability matters. When specifying the information about environmental factors that undertakings are to disclose, coherence should be ensured with the definitions laid down in Article 2 of Regulation (EU) 2020/852 and the reporting requirements laid down in Article 8 of that Regulation and in the delegated acts adopted pursuant to that Regulation.

47 With regard to climate-related information, users are interested in knowing about undertakings' physical and transition risks, and about their resilience as regards, and plans to adapt to, different climate scenarios and plans to adapt to the Union's objective of climate neutrality by 2050. They are also interested in the level and scope of GHG emissions and removals attributed to the undertaking, including the extent to which the undertaking uses offsets and the source of those offsets. Achieving a climate neutral economy requires the alignment of GHG accounting and offsetting standards. Users need reliable information regarding offsets that addresses concerns regarding possible double counting and overestimations, given the risks to the achievement of climate-related targets that double counting and overestimations can create. Users are also interested to know the efforts made by companies to effectively reduce absolute GHG emissions as part of their climate mitigation and adaptation strategies, including scope 1, scope 2 and, where relevant, scope 3 emissions.

With regard to scope 3 emissions, a priority for users is to receive information about which scope 3 categories are significant in the case of the undertaking, and about the emissions in each of those scope 3 categories. The sustainability reporting standards should therefore specify the information undertakings should report with regard to such matters.

48 Achieving a climate-neutral and circular economy without diffuse pollution requires the full mobilisation of all economic sectors. Reducing energy use and increasing energy efficiency is key in this respect, as energy is used across supply chains. Energy aspects should therefore be duly considered in sustainability reporting standards, in particular in relation to environmental matters, including climate-related matters.

49 Sustainability reporting standards should specify the information that undertakings should disclose on social factors, including working conditions, social partner involvement, collective bargaining, equality, non-discrimination, diversity and inclusion, and human rights. Such information should cover the impacts of the undertaking on people, including workers, and on human health. The information that undertakings disclose about human rights should include information about forced labour and child labour in their value chains where relevant. Sustainability reporting requirements concerning forced labour should not free public authorities of their responsibility to address, through trade policy and diplomatic means, the import of goods produced as a result of human rights abuses, including forced labour. Undertakings should also be able to report on possible risks and trends regarding employment and incomes.

Sustainability reporting standards that address social factors should specify the information that undertakings should disclose with regard to the principles of the European Pillar of Social Rights that are relevant to businesses, including equal opportunities for all and working conditions. The Action Plan on the European Pillar of Social Rights, adopted by the Commission on 4 March 2021, calls for stronger requirements on undertakings to report on social issues. The sustainability reporting standards should also specify the information that undertakings should disclose with regard to 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 UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, the fundamental conventions of the ILO, 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. Reporting carried out on social factors, as well as on environmental and governance factors, should be proportionate to the scope and the goals of this amending Directive. Sustainability reporting standards that address gender equality and equal pay for work of equal value should specify, amongst other things, information to be reported about the gender pay gap, taking account of other relevant Union law. Sustainability reporting standards that address employment and inclusion of people with disabilities should specify, amongst other things, information to be reported about accessibility measures taken by the undertaking.

Sustainability reporting standards that address training and skills development should specify, amongst other things, information to be reported about the proportion and breakdown of workers participating in training. Sustainability reporting standards that address collective bargaining should specify, amongst other things, information to be disclosed about the existence of works councils as well as the existence of collective agreements and the proportion of workers covered by such agreements. Sustainability reporting standards that address participation of workers should specify, amongst other things, information to be disclosed about the participation of workers in administrative and supervisory boards. Sustainability reporting standards that address diversity should specify, amongst other things, information to be reported on gender diversity at top management and the number of members of the under-represented sex on their boards.

50 Users need information about governance factors. Governance factors that are most relevant to users are listed by authoritative reporting frameworks such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures, as well as by authoritative global frameworks such as the Global Governance Principles of the International Corporate Governance Network and the G20/OECD Principles of Corporate Governance. Sustainability reporting standards should specify the information that undertakings should disclose on governance factors. Such information should cover the role of an undertaking's administrative, management and supervisory bodies with regard to sustainability matters, the expertise and skills needed to fulfil that role or the access such bodies have to such expertise and skills, whether the company has a policy in terms of incentives which are offered to members of those bodies and which are linked to sustainability matters, and information on an undertaking's internal control and risk management systems in relation to the sustainability reporting process. Users also need information about undertakings' corporate culture and approach to business ethics, which are recognised elements of authoritative frameworks on corporate governance, such as the Global Governance Principles of the International Corporate Governance Network, including information about anti-corruption and anti-bribery, and about the undertaking's activities and commitments aimed at exerting its political influence, including its lobbying activities.

Information about the management of the undertaking and the quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, helps users to understand an undertaking's risks and impacts related to sustainability matters. Information about relationships with suppliers includes payment practices relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive

2011/7/EU of the European Parliament and of the Council[31]. Every year, thousands of businesses, especially small and medium-sized enterprises ('SMEs'), suffer an administrative and financial burden because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains. Increasing the amount of information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.

51 The sustainability reporting standards should promote a more integrated view of all the information published by undertakings in the management report to provide users of that information with a better understanding of the development, performance, position and impact of the undertaking. The sustainability reporting standards should distinguish, as necessary, between information that undertakings should disclose when reporting at individual level and the information that undertakings should disclose when reporting at group level. The sustainability reporting standards should also contain guidance for undertakings on the process for identifying the sustainability information that should be included in the management report, since an undertaking should only be required to disclose the information relevant to understanding its impacts on sustainability matters, and the information relevant to understanding how sustainability matters affect its development, performance and position.

52 Member States should ensure that sustainability reporting is carried out in compliance with workers' rights to information and consultation. The management of the undertaking should therefore inform workers' representatives at the appropriate level and discuss with them relevant information and the means of obtaining and verifying sustainability information. This implies for the purpose of this amending Directive the establishment of dialogue and exchange of views between workers' representatives and central management or any other level of management that could be more appropriate, at such times, in such fashion and with such content as would enable workers' representatives to express their opinion. Their opinion should be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

53 Undertakings in the same sector are often exposed to similar sustainability-related risks, and they often have similar impacts on society and the environment. Comparisons between undertakings in the same sector are especially valuable to investors and other users of sustainability information. Sustainability reporting standards should therefore specify both information that undertakings in all sectors should disclose and information that undertakings should disclose depending on their sector of activity. Sector-specific sustainability reporting standards are especially important in the case of sectors associated with high sustainability risks for or impacts on the environment, human rights and governance, including sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council[32], and the relevant activities within those sectors. When adopting sector-specific sustainability reporting standards, the Commission should ensure the information specified by those sustainability reporting standards is proportionate to the scale of the risks and impacts related to sustainability matters specific to each sector, taking account of the fact that the risks and impacts of some sectors are higher than for others. The Commission should also take account of the fact that not all activities within such sectors are necessarily associated with high sustainability risks or impacts. For undertakings that operate in sectors particularly reliant on natural resources, sector-specific sustainability reporting standards would require the disclosure of nature-related impacts on and risks for biodiversity and ecosystems.

Sustainability reporting standards should also take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from suppliers that are small or medium-sized undertakings and from suppliers in emerging markets and economies. Sustainability reporting standards should specify disclosures concerning value chains

[31] Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions (OJ L 48, 23.2.2011, p. 1).

[32] Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

that are proportionate and relevant to the scale and complexity of the activities of the undertakings, and the capacities and characteristics of undertakings in value chains, especially those capacities and characteristics of undertakings that are not subject to the sustainability reporting requirements provided for in this amending Directive. Sustainability reporting standards should 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 in accordance with the sustainability reporting standards for small and medium-sized undertakings. This should be without prejudice to any Union requirements on undertakings to conduct a due diligence process.

54 To meet the information needs of users in a timely manner, and in particular given the urgency to meet the information needs of financial market participants subject to the requirements laid down in the delegated acts adopted pursuant to Article 4(6) and (7) of Regulation (EU) 2019/2088, the Commission should adopt a first set of sustainability reporting standards by means of delegated acts by 30 June 2023. That set of sustainability reporting standards should specify the information that undertakings should disclose with regard to all reporting areas and sustainability matters, and that financial market participants need to comply with the disclosure obligations laid down in Regulation (EU) 2019/2088. The Commission should adopt a second set of sustainability reporting standards by means of delegated acts by 30 June 2024, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas, where necessary, and information that is specific to the sector in which an undertaking operates. The Commission should review those sustainability reporting standards, including the sustainability reporting standards for small and medium-sized undertakings, every three years to take account of relevant developments, including the development of international standards.

55 Directive 2013/34/EU does not require that undertakings provide their management reports in a digital format, which hinders the findability and usability of the reported information. Users of sustainability information increasingly expect such information to be findable, comparable and machine-readable in digital formats. Member States should be able to require that undertakings subject to the sustainability reporting requirements of Directive 2013/34/EU make their management reports available on their websites, free of charge to the public. Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Digitalisation also enables the centralisation at Union and Member State level of data in an open and accessible format that facilitates reading and allows for the comparison of data. Undertakings should therefore be required to prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815[33], and to mark up their sustainability reporting, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in Delegated Regulation (EU) 2019/815 once that is determined.

A digital taxonomy for the Union sustainability reporting standards will be necessary to allow the reported information to be tagged in accordance with those sustainability reporting standards. These requirements should feed into the work on digitalisation announced by the Commission in its Communication of 19 February 2020 entitled 'A European strategy for data' and in its Communication of 24 September 2020 entitled 'Digital Finance Strategy for the EU'. These requirements would also complement the creation of a European single access point (ESAP) for public corporate information as envisaged in the Commission's Communication of 24 September 2020 entitled 'A Capital Markets Union for people and businesses - new action plan' in which the need to provide comparable information in a digital format is also considered.

56 To allow for the inclusion of the reported sustainability information in the ESAP, Member States should ensure that undertakings whose securities are not admitted to trading on a regulated market in the Union publish their management report, including sustainability reporting, in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815.

[33] 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).

57 Article 19a(4) of Directive 2013/34/EU enables Member States to exempt undertakings from including in the management report the non-financial statement required under Article 19a(1) of that Directive. Member States are allowed to do so where the undertaking concerned prepares a separate report that is published together with the management report in accordance with Article 30 of that Directive, or where that report is made publicly available on the undertaking's website within a reasonable period of time not exceeding 6 months after the balance sheet date, and is referred to in the management report. The same possibility exists for the consolidated non-financial statement referred to in Directive 2013/34/EU. Twenty Member States have used that option. The possibility of publishing a separate report hinders, however, the availability of information that connects financial information and information on sustainability matters. It also hinders the findability and accessibility of information for users, especially investors, who are interested in both financial and sustainability information. Possible different publication times for financial and sustainability information exacerbate that problem. Publication in a separate report can also give the impression, internally and externally, that sustainability information belongs to a category of less relevant information, which can impact negatively on the perceived reliability of the information. Undertakings should therefore report sustainability information in a clearly identifiable dedicated section of the management report and Member States should no longer be allowed to exempt undertakings from the obligation to include in the management report information on sustainability matters.

Such obligation would also help to clarify the role of national competent authorities in supervising sustainability reporting, as part of the management report prepared in accordance with Directive 2004/109/EC. In addition, undertakings required to report sustainability information should in no case be exempted from the obligation to publish the management report, as it is important to ensure that sustainability information is publicly available.

58 Article 20 of Directive 2013/34/EU requires undertakings whose securities are admitted to trading on a regulated market in the Union to include a corporate governance statement in their management report, which has to contain, among other information, a description of the diversity policy applied by the undertaking in relation to its administrative, management and supervisory bodies. Article 20 of Directive 2013/34/EU leaves flexibility to undertakings to decide what aspects of diversity they report on. It does not explicitly oblige undertakings to include information on any particular aspect of diversity. In order to progress towards a more gender-balanced participation in economic decision-making, it is necessary to ensure that undertakings whose securities are admitted to trading on a regulated market in the Union always report on their gender diversity policies and the implementation thereof. However, to avoid an unnecessary administrative burden, such undertakings should have the possibility of reporting some of the information required by Article 20 of Directive 2013/34/EU alongside other sustainability information. If they decide to do so, the corporate governance statement should include a reference to the undertaking's sustainability reporting, and the information required under Article 20 of Directive 2013/34/EU should remain subject to the assurance requirements of the corporate governance statement.

59 Article 33 of Directive 2013/34/EU requires Member States to ensure that the members of the administrative, management and supervisory bodies of an undertaking have collective responsibility for ensuring that the annual financial statements, the consolidated financial statements, the management report, the consolidated management report, the corporate governance statement and the consolidated corporate governance statement are drawn up and published in accordance with the requirements of that Directive. That collective responsibility should be extended to the digitalisation requirements laid down in Delegated Regulation (EU) 2019/815, to the requirement to comply with Union sustainability reporting standards and to the requirement to mark up sustainability reporting.

60 The assurance profession distinguishes between limited assurance engagements and reasonable assurance engagements. The conclusion of a limited assurance engagement is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated. In a limited assurance engagement, the auditor performs fewer tests than in a reasonable assurance engagement. The amount of work for a limited assurance engagement is therefore less than for a reasonable assurance engagement. The

amount of work in a reasonable assurance engagement entails extensive procedures including consideration of internal controls of the reporting undertaking and substantive testing, and is therefore significantly greater than in a limited assurance engagement.

The conclusion of a reasonable assurance engagement is usually provided in a positive form of expression and results in providing an opinion on the measurement of the subject matter against previously defined criteria. Directive 2013/34/EU requires Member States to ensure that the statutory auditor or audit firm checks whether the non-financial statement or the separate report has been provided. It does not require that an independent provider of assurance services verify the information, although it allows Member States to require such verification where they so wish. The absence of an assurance requirement concerning sustainability reporting, in contrast to the requirement for the statutory auditor to carry out statutory audits based on a reasonable assurance engagement, would threaten the credibility of the sustainability information disclosed, thus failing to meet the needs of the intended users of that information. Although the objective is to have a similar level of assurance for financial and sustainability reporting, the absence of a commonly agreed standard for the assurance of sustainability reporting creates the risk of different understandings and expectations of what a reasonable assurance engagement would consist of for different categories of sustainability information, especially with regard to forward-looking and qualitative disclosures.

Therefore, a progressive approach to enhancing the level of the assurance required for sustainability information should be considered, starting with an obligation on the statutory auditor or audit firm to express an opinion about the compliance of the sustainability reporting with Union requirements based on a limited assurance engagement. That opinion should cover the compliance of the sustainability reporting with Union sustainability reporting standards, the process carried out by the undertaking to identify the information reported pursuant to the sustainability reporting standards and compliance with the requirement to mark up sustainability reporting. The auditor should also assess whether the undertaking's reporting complies with the reporting requirements of Article 8 of Regulation (EU) 2020/852. To ensure a common understanding and common expectations of what a reasonable assurance engagement would consist of, the statutory auditor or audit firm should be required to express an opinion based on a reasonable assurance engagement about the compliance of the sustainability reporting with Union requirements, when the Commission adopts assurance standards for reasonable assurance of sustainability reporting by means of delegated acts no later than 1 October 2028, following an assessment to determine if reasonable assurance is feasible for auditors and undertakings.

The gradual approach from limited assurance engagements to reasonable assurance engagements would also allow for the progressive development of the assurance market for sustainability information, and of undertakings' reporting practices. Finally, such gradual approach would phase in the increase in costs for reporting undertakings, given that assurance of sustainability reporting based on a reasonable assurance engagement is more costly than assurance of sustainability reporting based on a limited assurance engagement. Undertakings subject to sustainability reporting requirements should be able to decide to have an assurance opinion on their sustainability reporting based on a reasonable assurance engagement if they so wish, and in such cases they should be deemed to have complied with the obligation to have an opinion based on a limited assurance engagement. The opinion based on a reasonable assurance engagement concerning forward-looking information is only an assurance that such information has been prepared in accordance with applicable standards.

61 Statutory auditors or audit firms already verify the financial statements and the management report. The assurance of sustainability reporting by the statutory auditors or audit firms would help to ensure the connectivity between, and consistency of, financial and sustainability information, which is particularly important for users of sustainability information. However, there is a risk of further concentration of the audit market, which could risk the independence of auditors and increase audit fees or fees relating to the assurance of sustainability reporting.

Considering the key role of statutory auditors when providing assurance of sustainability reporting and ensuring reliable sustainability information, the Commission has announced that it will act to further enhance audit quality and to create a more open and diversified audit market, which are the conditions for the successful application of this amending Directive. In addition, it is desirable to offer undertakings a broader choice of independent assurance services providers for the assurance of sustainably reporting. Member States should therefore be allowed to accredit independent assurance services providers in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council[34] to provide an assurance opinion on sustainability reporting, which should be published together with the management report. In addition, Member States should be given the option of allowing a statutory auditor, other than the one(s) carrying out the statutory audit of the financial statements, to express an assurance opinion on sustainability reporting. Furthermore, if they allow independent assurance services providers to carry out the assurance of sustainability reporting, Member States should also allow a statutory auditor, other than the one(s) carrying out the statutory audit of the financial statements, to express an assurance opinion on sustainability reporting.

Member States should set out requirements that ensure the quality of the assurance of sustainability reporting carried out by independent assurance services providers and consistent outcomes in the assurance of sustainability reporting. Therefore, all independent assurance services providers should be subject to requirements that are equivalent to the requirements set out in Directive 2006/43/EC of the European Parliament and of the Council[35] as regards the assurance of sustainability reporting, while being adapted to the characteristics of independent assurance services providers which do not carry out statutory audits. In particular, Member States should set out equivalent requirements as regards training and examination, continuing education, quality assurance systems, professional ethics, independence, objectivity, confidentiality and professional secrecy, appointment and dismissal, the organisation of the work of independent assurance services providers, investigations and sanctions, and the reporting of irregularities. This would also guarantee a level playing field among all persons and firms allowed by Member States to provide an assurance opinion on sustainability reporting, including statutory auditors. If an undertaking seeks the opinion of an accredited independent assurance services provider other than the statutory auditor on its sustainability reporting, it should not in addition need to request an assurance opinion on its sustainability reporting from the statutory auditor.

Independent assurance services providers that have already been accredited by a Member State for the assurance of sustainability reporting should continue to be allowed to do so. Likewise, Member States should ensure that independent assurance services providers that, by the date of application of the new requirements on training and examination, are undergoing their accreditation process are not subject to those new accreditation requirements, provided they complete that process within two years of the date of application of those new requirements. Member States should, however, ensure that all the independent assurance services providers accredited by a Member State for the assurance of sustainability reporting within two years of the date of application of the new accreditation requirements, acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting through continued professional education.

62 In order to foster the free movement of services, Member States should allow independent assurance services providers established in a different Member State to carry out the assurance of sustainability reporting in their territory. This would also favour opening up the assurance market even when not all Member States allow for the accreditation of independent assurance services providers in their territory. Where independent assurance services providers carry out the assurance of sustainability reporting in the territory of a host Member State, that host Member State should be able to decide to supervise independent assurance services providers, given the possibility to leverage on the

[34] 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).
[35] 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).

implemented framework for the supervision of auditors carrying out the assurance of sustainability reporting.

63 Member States should ensure that when 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 should be made available either as an annex to the management report or by any other publicly accessible means. Such making available of that report should not pre-empt the outcome of the assurance opinion of which the third-party verification should remain independent. It should not entail any duplication of work between the auditor or the independent assurance services provider that expresses the assurance opinion and the accredited independent third party.

64 Directive 2006/43/EC sets out rules concerning the statutory audit of annual and consolidated financial statements. It is necessary to ensure that consistent rules apply to the audit of financial statements and the assurance of sustainability reporting by the statutory auditor. Directive 2006/43/EC should apply where the assurance opinion on sustainability reporting is expressed by a statutory auditor or an audit firm.

65 The rules on the approval and recognition of statutory auditors and audit firms should allow statutory auditors to qualify also for the assurance of sustainability reporting. Member States should ensure that statutory auditors who wish to qualify for the assurance of sustainability reporting have the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice.

Therefore, statutory auditors should complete practical training of at least eight months in the assurance of annual and consolidated sustainability reporting or in other sustainability-related services, taking account of previous employment experience. However, statutory auditors that have already been approved or recognised in a Member State should continue to be allowed to carry out the assurance of sustainability reporting. Likewise, Member States should ensure that natural persons who are undergoing the approval process at the date of application of the requirements for the assurance of sustainability reporting established by this amending Directive are not subject to those requirements, provided they complete the process within the following two years. Member States should, however, ensure that statutory auditors approved within two years of the date of application of those requirements and who wish to carry out the assurance of sustainability reporting acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via continued professional education. Natural persons who decide to be approved only as statutory auditors for statutory audit should be able to decide at a later point in time to qualify also for the assurance of sustainability reporting. In order to do so, such persons should meet the necessary requirements set out by Member States to ensure that they also have the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice.

66 It should be ensured that the requirements imposed on auditors as regards the statutory audit and the assurance of sustainability reporting they carry out are consistent. Therefore, there should be at least one designated person who is actively involved in carrying out the assurance of sustainability reporting (‘key sustainability partner’). When carrying out the assurance of sustainability reporting, statutory auditors should be required to devote sufficient time and assign sufficient resources and expertise in order to carry out their duties appropriately. The client account record should specify the fees charged for the assurance of sustainability reporting and an assurance file should be created to include information related to the assurance of sustainability reporting. Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, it should be possible to include the assurance file in the audit file. However, requirements imposed on statutory auditors relating to the assurance of sustainability reporting should only apply to those statutory auditors that carry out the assurance of sustainability reporting.

67 Statutory auditors or audit firms that carry out the assurance of sustainability reporting should have a high level of technical and specialised expertise in the field of sustainability.

68 Directive 2006/43/EC requires Member States to put appropriate rules in place to avoid the fees on the statutory audit being influenced or determined by the provision of additional services to the audited entity or being based on any form of contingency. That Directive also requires Member States to ensure that statutory auditors carrying out statutory audits comply with the rules on professional ethics, independence, objectivity, confidentiality and professional secrecy. For reasons of coherence, it is appropriate that those rules be extended to statutory auditors carrying out the assurance of sustainability reporting.

69 In order to provide for uniform assurance practices and high-quality assurance of sustainability reporting across the Union, the Commission should be empowered to adopt sustainability assurance standards by means of delegated acts. Member States should be given the possibility of applying national assurance standards, procedures or requirements, as long as the Commission has not adopted an assurance standard by means of delegated acts covering the same subject matter. Such assurance standards should set out the procedures that the auditor is to perform in order to draw its conclusions on the assurance of sustainability reporting. Therefore, the Commission should adopt assurance standards for limited assurance by means of delegated acts before 1 October 2026. With a view to facilitating the harmonisation of the assurance of sustainability reporting across Member States, the CEAOB should be encouraged to adopt non-binding guidelines to set out the procedures to be performed when expressing an assurance opinion on sustainability reporting, pending the adoption by the Commission of an assurance standard covering the same subject matter.

70 Directive 2006/43/EC sets out rules on the statutory audit of a group of undertakings. Similar rules should be set out for the assurance of consolidated sustainability reporting.

71 Directive 2006/43/EC requires statutory auditors or audit firms to present the results of their statutory audit in an audit report. Similar rules should be set out for the assurance of sustainability reporting. The results of the assurance of sustainability reporting should be presented in an assurance report. Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, it should be possible to present the information about the assurance of sustainability reporting in the audit report.

72 Directive 2006/43/EC requires Member States to set up a system of quality assurance review of statutory auditors and audit firms. To ensure that quality assurance reviews also take place for the assurance of sustainability reporting and that the persons who carry out quality assurance reviews have appropriate professional education and relevant experience in sustainability reporting and in the assurance of sustainability reporting, that requirement to set up a system of quality assurance review should be extended to the assurance of sustainability reporting. As a transitional measure, until 31 December 2025, the persons who carry out quality assurance reviews of the assurance of sustainability reporting should be exempted from the requirement to have relevant experience in sustainability reporting and in the assurance of sustainability reporting or in other sustainability-related services.

73 Directive 2006/43/EC requires Member States to have in place an investigations and sanctions regime for statutory auditors and audit firms carrying out statutory audits. That Directive also requires Member States to organise an effective system of public oversight, and to ensure that regulatory arrangements for public oversight systems permit effective cooperation at Union level in respect of Member States' oversight activities. Such requirements should be extended to statutory auditors and audit firms that conduct assurance of sustainability reporting in order to ensure the consistency of the investigations, sanctions and oversight frameworks set up for the auditor's work in the statutory audit and the assurance of sustainability reporting.

74 Directive 2006/43/EC contains rules on the appointment and dismissal of statutory auditors and audit firms carrying out statutory audits. Those rules should be extended to the assurance of sustainability reporting to ensure the consistency of the rules imposed on auditors as regards their work on the statutory audit and the assurance of sustainability reporting.

75 Pursuant to Article 6 of Directive 2007/36/EC of the European Parliament and of the Council[36], Member States are required to ensure that shareholders of undertakings whose securities are admitted to trading on a regulated market in the Union, acting individually or collectively, have the right to put items on the agenda of the general meeting, provided that each such item is accompanied by a justification or a draft resolution to be adopted in the general meeting, and that they have the right to table draft resolutions for items included or to be included on the agenda of a general meeting, as the case may be. Where those rights are subject to the condition that the relevant shareholder or shareholders hold a minimum stake in the undertaking, such minimum stake is not to exceed 5 % of the share capital. As regards the assurance of sustainability reporting, shareholders should be able to exercise the rights set out in Article 6 of Directive 2007/36/EC in order to table draft resolutions to be adopted in the general meeting, requiring that, firstly, 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, secondly, that such report be made available to the general meeting.

For undertakings subject to the sustainability reporting requirements introduced by this amending Directive and that do not fall within the scope of Article 6 of Directive 2007/36/EC, shareholders which represent more than 5 % of the voting rights or 5 % of the capital of the undertaking, acting individually or collectively, should also be given the right to table a draft resolution to be adopted in the general meeting, requiring that, firstly, 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, secondly, that such report be made available to the general meeting.

76 Directive 2006/43/EC requires Member States to ensure that each public-interest entity has an audit committee, and specifies its tasks with regard to the statutory audit. That audit committee should be assigned with certain tasks with regard to the assurance of sustainability reporting. Those tasks should include the obligation to inform the administrative or supervisory body of the public-interest entity of the outcome of the assurance of sustainability reporting, and to explain how the audit committee contributed to the integrity of sustainability reporting and what the role of the audit committee was in that process. Member States should be able to allow 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.

77 Directive 2006/43/EC contains requirements for registration and oversight of third-country auditors and audit entities. To ensure that a consistent framework exists for the work of auditors in both the statutory audit and the assurance of sustainability reporting, it is necessary to extend those requirements to the assurance of sustainability reporting.

78 Regulation (EU) No 537/2014 of the European Parliament and of the Council[37] applies to statutory auditors and audit firms carrying out statutory audits of public-interest entities. To ensure the independence of the statutory auditor when carrying out a statutory audit, that Regulation establishes a limit concerning the fees for other services that the statutory auditor can obtain. It is important to clarify that the assurance of sustainability reporting should not count in the calculation of that limit. In addition, Regulation (EU) No 537/2014 prohibits the provision of certain non-audit services over certain periods when the statutory auditor is carrying out the statutory audit. Services related to the preparation of sustainability reporting, including any consulting services, should also be considered as prohibited services over the period prescribed in Regulation (EU) No 537/2014. The prohibition of the provision of such services should apply in all cases where the statutory auditor carries out the statutory audit of financial statements.

[36] Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17).

[37] Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77).

To ensure the independence of the statutory auditor, certain non-audit services should also be prohibited when the statutory auditor is carrying out the assurance of sustainability reporting. Regulation (EU) No 537/2014 requires statutory auditors to report irregularities to the audited entity and, under certain circumstances, to authorities designated by the Member States as responsible for investigating such irregularities. Such obligation should also be extended, as appropriate, to statutory auditors and audit firms as regards their work on the assurance of sustainability reporting of public-interest entities.

79 Directive 2004/109/EC assigns to national supervisors the task of enforcing compliance with corporate reporting requirements by undertakings whose securities are admitted to trading on a regulated market in the Union. Article 4 of that Directive specifies the content to be included in the annual financial reports, but lacks an explicit reference to Articles 19a and 29a of Directive 2013/34/EU, which require the preparation of a non-financial statement and a consolidated non-financial statement. As a consequence, national competent authorities of some Member States have no legal mandate to supervise those non-financial statements, especially where those non-financial statements are published in a separate report, outside of the annual financial report, which Member States may currently allow. It is therefore necessary to insert into Article 4(5) of Directive 2004/109/EC a reference to sustainability reporting. It is also necessary to require that the persons responsible within the issuer confirm in the annual financial report that, to the best of their knowledge, the management report is prepared in accordance with the sustainability reporting standards.

In addition, given the novel character of the sustainability reporting requirements, ESMA should issue guidelines for national competent authorities to promote convergent supervision of sustainability reporting by issuers subject to Directive 2004/109/EC. Those guidelines should only apply to the supervision of undertakings whose securities are admitted to trading on a regulated market in the Union.

80 In order to specify the requirements set out in this amending Directive, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of establishing sustainability reporting standards and establishing standards for the assurance of sustainability reporting. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[38]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

81 The Commission should submit a report to the European Parliament and to the Council on the implementation of this amending Directive, including, inter alia: an assessment of the achievement of the goals of this amending Directive, including the convergence of reporting practices between Member States; an assessment of the number of small and medium-sized undertakings using sustainability reporting standards voluntarily; an assessment of whether and how the scope of the reporting requirements 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 undertaking or a branch on the territory of the Union; an assessment of the implementation of the reporting requirements on subsidiary undertakings 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 subject to reporting requirements in accordance with Directive 2013/34/EU; an assessment of the enforcement mechanism and of the relevant thresholds set out in Directive 2013/34/EU; an assessment of whether

[38] OJ L 123, 12.5.2016, p. 1.

and how to ensure the accessibility for people with disabilities to the sustainability reporting published by undertakings falling under the scope of this amending Directive.

The report on the implementation of this amending Directive should be published by 30 April 2029 and every three years thereafter, and should be accompanied, if appropriate, by legislative proposals. By 31 December 2028, the Commission should review and report on the level of concentration of the sustainability assurance market. The review should take into account the national regimes applicable to independent assurance services providers and assess whether and to what extent such national regimes contribute to opening up the assurance market. By 31 December 2028, the Commission should assess possible legal measures to ensure sufficient diversification of the sustainability assurance market and appropriate sustainability reporting quality. The report on the level of concentration of the sustainability assurance market should be transmitted to the European Parliament and the Council by 31 December 2028 and be accompanied, if appropriate, by legislative proposals.

82 Since the objectives of this amending Directive cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this amending Directive does not go beyond what is necessary in order to achieve those objectives.

83 Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU should therefore be amended accordingly.

84 The ECB was consulted and delivered an opinion on 7 September 2021,

HAVE ADOPTED THIS DIRECTIVE:

[**Note:** *Article 1 (amendments to Accounting Directive), Article 2 (amendments to Transparency Directive), Article 3 (amendments to Audit Directive) and Article 4 (amendments to Audit Regulation) are omitted as those amendments have been incorporated into the text of the Accounting Directive, Transparency Directive, Audit Directive and Audit Regulation, respectively, as set forth above.*]

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~~ between 1 January 2024 and 31 December 2026:

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

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

(b) for financial years starting on or after 1 January 202~~5~~7:

(i) to ~~large~~ undertakings which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year~~within the meaning of Article 3(4) of Directive 2013/34/EU, other than those referred to in point (a)(i) of this subparagraph~~;

(ii) to parent undertakings of a ~~large~~ group which, on its balance sheet dates, exceeds, on a consolidated basis, a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year. ~~within the meaning of Article 3(7) of Directive 2013/34/EU, other than those referred to in point (a)(ii) of this subparagraph;~~

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

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

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

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

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

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

(a) for financial years starting ~~on or after~~ between 1 January 2024 and 31 December 2026:

(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;

~~[39] 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).~~

(b) for financial years starting on or after 1 January 2025~~7~~:

(i) to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are ~~large~~ undertakings which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and an average number of 1 000 employees during the financial year ~~within the meaning of Article 3(4) of Directive 2013/34/EU other than those referred to in point (a) (i) of this subparagraph~~;

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

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

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

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

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

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

By way of derogation from point (a) of the first subparagraph and point (a) of the third subparagraph, Member States may exempt undertakings or issuers which do not exceed a net turnover of EUR 450 000 000 or an average number of 1 000 employees during the financial year, on a consolidated basis where applicable, from complying with the measures necessary to comply with Article 1, with the exception of point (14), and with Article 2, for the financial years starting between 1 January 2025 and 31 December 2026.

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 29ca 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 large undertakings with a net turnover not exceeding EUR 450 000 000 and an average number of employees not exceeding 1 000 during the financial year, as well as ~~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.

The report concerning points (a), (b), (d) and (e) of the first subparagraph shall be published by 30 April 2029 and every three years thereafter, and shall be accompanied, if appropriate, by legislative proposals. The report concerning point (c) of the first subparagraph shall be published by 30 April 2031 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.

ANNEX II

COMMISSION DELEGATED DIRECTIVE (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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[1], and in particular Article 3(13) thereof,

Whereas:

1 Reporting requirements in the field of accounting pursue various objectives. They do not merely provide information for investors in capital markets but also give an account of past transactions and enhance corporate governance. It is important to streamline those requirements to ensure that they fulfil the purposes for which they were intended and to limit the administrative burden.

2 In view of the significant inflation during 2021 and 2022, the monetary size criteria for determining the size category of a company to account for the impact of inflation were reviewed.

3 According to Eurostat data, over a period of around 10 years from 1 January 2013 to 31 March 2023, the cumulated inflation reached 24,3 % in the euro area and 27,2 % in the whole Union.

4 Therefore, the Commission considers it necessary to adjust and round up the thresholds referred to in Article 3(1) to (7) of Directive 2013/34/EU by 25 % for inflation.

5 Directive 2013/34/EU should therefore be amended accordingly.

6 To enable undertakings or groups to benefit from the adjusted thresholds as soon as possible, the laws, regulations and administrative provisions necessary to comply with this Directive should apply at the latest for financial years beginning on or after 1 January 2024. Member States may allow undertakings to apply those provisions for financial year beginning on or after 1 January 2023.

7 The Commission has consulted the Expert Group of the European Securities Committee in accordance with Article 49(3a) of Directive 2013/34/EU,

HAS ADOPTED THIS DIRECTIVE:

[**Note:** *Article 1 (amendments to Accounting Directive) is omitted as those amendments have been incorporated into the text of the Accounting Directive, as set forth above*].

ARTICLE 2
Transposition

1 Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 24 December 2024 at the latest. They shall forthwith communicate to the Commission the text of those provisions.

They shall apply those provisions for financial years beginning on or after 1 January 2024.

[1] OJ L 182, 29.6.2013, p. 19.

By way of derogation from the second subparagraph, Member States may allow undertakings to apply those provisions for financial year beginning on or after 1 January 2023.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2 Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

ARTICLE 3
Entry into force

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

ARTICLE 4
Addressees

This Directive is addressed to the Member States.

ANNEX III

DIRECTIVE (EU) 2025/794 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Acting in accordance with the ordinary legislative procedure[2],

Whereas:

1 In its communication of 11 February 2025 entitled 'A simpler and faster Europe: Communication on implementation and simplification', the Commission set out a vision for an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground. That requires more than an incremental approach and the Union is to take bold action to achieve that goal. The European Parliament, the Council, the Commission, the authorities of the Member States at all levels and stakeholders need to work together to streamline and simplify Union, national and regional rules and to implement policies more effectively.

2 In the context of the Commission's commitment to reducing reporting burdens and to enhancing competitiveness, it is necessary to introduce targeted amendments to Directives (EU) 2022/2464[3] and (EU) 2024/1760[4] of the European Parliament and of the Council in order to achieve those objectives, whilst maintaining the policy objectives of the Green Deal as set out in the Commission's communication of 11 December 2019 entitled 'The European Green Deal' and the Sustainable Finance Action Plan as set out in the Commission's communication of 8 March 2018 entitled 'Action Plan: Financing Sustainable Growth'.

3 Directive (EU) 2022/2464 specifies the dates from which Member States are to apply the sustainability reporting requirements set out in Directive 2013/34/EU of the European Parliament and of the Council[5], with different dates depending on the size of the undertaking concerned. Large undertakings that are public-interest entities with more than 500 employees on average during the financial year and public-interest entities that are parent undertakings of a large group with more than 500 employees on average on its balance sheet dates, on a consolidated basis, during the financial year are to report in 2025 for financial years beginning on or after 1 January 2024. Other

[1] Opinion of 26 March 2025 (not yet published in the Official Journal).
[2] Position of the European Parliament of 3 April 2025 (not yet published in the Official Journal) and decision of the Council of 14 April 2025.
[3] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: http://data.europa.eu/eli/dir/2022/2464/oj).
[4] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: http://data.europa.eu/ eli/dir/2024/1760/oj).
[5] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: http://data.europa.eu/eli/dir/2013/34/oj).

large undertakings and other parent undertakings of a large group are to report in 2026 for financial years beginning on or after 1 January 2025. Small and medium-sized undertakings, except micro-undertakings, small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings are to report in 2027 for financial years beginning on or after 1 January 2026. Considering the ongoing Commission initiatives which aim to simplify certain existing sustainability reporting obligations and to reduce the related administrative burden on undertakings, and in order to provide for legal clarity and to avoid the undertakings currently required to report for financial years beginning on or after 1 January 2025 and on or after 1 January 2026 incurring unnecessary and avoidable costs, the sustainability reporting requirements for those undertakings should be postponed by two years.

4 Directive (EU) 2022/2464 specifies the dates from which Member States are to apply the sustainability reporting requirements set out in Directive 2004/109/EC of the European Parliament and of the Council[6], with different dates depending on the size of the issuer concerned. Issuers that are large undertakings with more than 500 employees on average during the financial year and issuers that are parent undertakings of a large group with more than 500 employees on average on its balance sheet dates, on a consolidated basis, during the financial year are to report in 2025 for financial years beginning on or after 1 January 2024. Other issuers that are large undertakings and other issuers that are parent undertakings of a large group are to report in 2026 for financial years beginning on or after 1 January 2025. Issuers that are small and medium-sized undertakings, except micro-undertakings, small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings are to report in 2027 for financial years beginning on or after 1 January 2026. Considering the ongoing Commission initiatives which aim to simplify certain existing sustainability reporting obligations and to reduce the related administrative burden on undertakings, and in order to provide for legal clarity and to avoid the issuers currently required to report for financial years beginning on or after 1 January 2025 and on or after 1 January 2026 incurring unnecessary and avoidable costs, the sustainability reporting requirements for those issuers should be postponed by two years.

5 The date from which Member States are to apply Directive (EU) 2024/1760 should be postponed by one year for the first set of companies that fall within the scope of that Directive in order to give companies more time to prepare for the requirements of that Directive and to provide them with the opportunity to take into account the guidelines to be issued by the Commission on how they should fulfil their due diligence obligations in a practical manner. Furthermore, the application date of 1 January 2029 for the measures necessary to comply with the reporting obligation pursuant to Article 16 of Directive (EU) 2024/1760 regarding the third set of companies that fall within the scope of that Directive should be amended in order to ensure coherence with the respective application dates for the other sets of companies.

6 Moreover, in the light of a parallel legislative proposal which aims to simplify the sustainability framework and reduce the burden on companies, the deadline for the Member States to transpose Directive (EU) 2024/1760 should be extended by one year in order to take into account possible delays in their ongoing transposition efforts due to possible amendments to that Directive.

7 Since the objectives of this Directive cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.

8 Directives (EU) 2022/2464 and (EU) 2024/1760 should therefore be amended accordingly. Since the amendment to Directive (EU) 2024/1760 alters the transposition deadline and certain dates of application, all of which fall in the future, Member States would only need to postpone the

[6] 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, ELI: http://data.europa.eu/eli/dir/2004/109/oj).

application dates pursuant to Article 2 of this Directive in the event that they have already transposed Directive (EU) 2024/1760.

9 In view of the urgency of the matter and to provide legal certainty as soon as possible, it is considered to be appropriate to invoke the exception to the eight-week period provided for in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.

10 For reasons of urgency and to provide legal certainty as soon as possible, this Directive should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS DIRECTIVE:

[**Note:** *Article I (amendments to CSRD) is omitted as those amendments have been incorporated into the text of the CSRD, as set forth above. Article II (amendments to CSDDD) is omitted because the CSDDD is beyond the scope of this document*.]

ARTICLE 3
Transposition

1 Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2025. They shall immediately inform the Commission thereof.

When Member States adopt those measures, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

2 Member States shall communicate to the Commission the text of the main measures of national law which they adopt in the field covered by this Directive.

ARTICLE 4
Entry into force

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

ARTICLE 5
Addressees

This Directive is addressed to the Member States.

ANNEX IV

DIRECTIVE (EU) 2026/470 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Acting in accordance with the ordinary legislative procedure[2],

Whereas:

1 In its communication of 11 February 2025 entitled 'A simpler and faster Europe: Communication on implementation and simplification', the Commission set out a vision for an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground. That requires more than an incremental approach, and it is necessary for the Union to take bold action to achieve that goal. The Commission, the European Parliament, the Council, Member States' authorities at all levels and stakeholders need to work together to streamline and simplify Union, national and regional rules and implement policies more effectively.

2 In the context of the Commission's commitment to reducing reporting burdens and enhancing competitiveness, it is necessary to amend Directives 2006/43/EC[3], 2013/34/EU[4], (EU) 2022/2464[5] and (EU) 2024/1760[6] of the European Parliament and of the Council, whilst maintaining the policy objectives specified in the Commission communication of 11 December 2019 entitled 'The European Green Deal' (the 'European Green Deal') and the Commission communication of 8 March 2018 entitled 'Action Plan: Financing Sustainable Growth' (the 'Sustainable Finance Action Plan').

3 Given the change in the scope of undertakings to be subject to sustainability reporting requirements, it would be disproportionate to require that audit firms that wish to carry out the assurance of sustainability reporting be subject to requirements for approval that are equivalent to those for audit firms that carry out audits of financial statements. Such approval requirements relate to natural persons who carry out the work on behalf of the audit firm, the majority of the voting rights held by

[1] OJ C, C/2025/4212, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/4212/oj.
[2] Position of the European Parliament of 16 December 2025 (not yet published in the Official Journal) and decision of the Council of 24 February 2026.
[3] Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87, ELI: http://data.europa.eu/eli/dir/2006/43/oj).
[4] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: http://data.europa.eu/eli/dir/2013/34/oj).
[5] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: http://data.europa.eu/eli/dir/2022/2464/oj).
[6] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: http://data.europa.eu/ eli/dir/2024/1760/oj).

the audit firm and the majority of the members of the administrative or management body of the audit firm. Audit firms that wish to carry out the assurance of sustainability reporting should only need to ensure that they designate at least one key sustainability partner who meets the requirements for the purposes of approval and who is approved as statutory auditor in the Member State concerned.

4 Article 26a(1) of Directive 2006/43/EC requires Member States to ensure that statutory auditors and audit firms carry out the assurance of sustainability reporting in compliance with limited assurance standards to be adopted by the Commission by 1 October 2026. Undertakings have raised concerns on the work carried out by the assurance providers and have expressed the need for flexibility in addressing specific risks and critical issues identified in the area of sustainability assurance. The Commission should take into account those concerns when working on the limited assurance standards. The lack of harmonised assurance standards contributes to the problems experienced by undertakings, and it is therefore important that the Commission adopt a suitable delegated act. To allow adequate time to develop the limited assurance standards, the deadline for their adoption should be postponed to 1 July 2027.

5 Article 26a(3), second subparagraph, of Directive 2006/43/EC empowers the Commission to adopt reasonable assurance standards by 1 October 2028, following an assessment of feasibility for auditors and for undertakings. To avoid an increase in the costs of assurance for undertakings, the requirement to adopt reasonable assurance standards should be removed.

6 Article 45 of Directive 2006/43/EC requires the competent authorities of a Member State to register third-country auditors and audit entities issuing assurance reports on the sustainability information of third-country entities whose securities are admitted to trading on a regulated market in that Member State. The conditions for such registration concern the requirements to be met by the majority of the members of the administrative or management body of the third-country audit entity, the requirements to be met by the third-country auditor, the assurance standards to be used and the publication of an annual transparency report by the third-country audit entity. Moreover, Member States are to subject registered third-country auditors and audit entities to their systems of oversight, their quality assurance systems and their systems of investigation and penalties. Taking into account the current international landscape on the regulation of sustainability reporting and the assurance thereof, and considering that registration is necessary for the validity of the assurance reports within the Union, it would be disproportionate to require that those registration conditions be met in the first years of application of the sustainability assurance regime. In addition, the oversight of registered third-country auditors and audit entities is dependent on the existence of equivalence or adequacy decisions. Therefore, for a transitional period, simplified registration conditions and an exemption from oversight should be introduced for third-country auditors and audit entities issuing assurance reports on the sustainability information of third-country entities whose securities are admitted to trading on a regulated market in a Member State. The simplified registration should be possible on condition that certain information be provided to the competent authorities of the Member State concerned. The competent authorities should decline registration if that information is not provided.

7 Article 19a(1) of Directive 2013/34/EU requires large undertakings, and small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union, to prepare and publish sustainability reporting at individual level. The report entitled ‘The future of European competitiveness’ identified the sustainability reporting framework as ‘a major source of regulatory burden’, concluding in that respect that there was a ‘need to better consider the size of companies affected by regulation’. To reduce the reporting burden on undertakings and to achieve the objectives of reporting in a more proportionate way, the obligation to prepare and publish sustainability reporting at individual level should be limited to undertakings with a net turnover exceeding EUR 450 000 000 and an average of more than 1 000 employees during the financial year, as defined in the national measures transposing Directive 2013/34/EU. That more targeted scope, which should also apply as regards groups and issuers, will ensure that the burden of mandatory sustainability reporting is limited to the largest undertakings, groups and issuers. Such undertakings, groups and issuers are the most consequential in terms of environmental,

social and governance (ESG) impacts. At the same time, they are the most able to absorb the costs associated with ESG reporting. Undertakings, groups and issuers below the specified thresholds remain free to carry out voluntary sustainability reporting, a possibility that is significantly facilitated by the sustainability reporting standards for voluntary use introduced by this Directive.

8 Article 1(3) of Directive 2013/34/EU specifies that insurance undertakings and credit institutions that are large undertakings or small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union are subject to the sustainability reporting requirements set out in that Directive, regardless of their legal form. Since this Directive reduces the scope of individual sustainability reporting, such reduction in scope should also apply to insurance undertakings and credit institutions.

9 For the purpose of ensuring coherence across sustainable finance legislation, it is important to consider whether requirements related to ESG or sustainability for the financial sector, including sector-specific financial services legislation, the expectations of European Supervisory Authorities (ESAs) and the supervisory expectations at the national level are to be framed or adapted in a way that ensures consistency with the sustainability reporting obligations set out in Directive 2013/34/EU. Maintaining coherence, including as regards undertakings that fall outside of the scope of Articles 19a and 29a of Directive 2013/34/EU, will require careful attention and might require action from the European Parliament, the Council, the Commission and the ESAs.

10 Although the European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement is exempt from the sustainability reporting regime set out in Directive 2004/109/EC of the European Parliament and of the Council[7] pursuant to Article 8 thereof, the EFSF is subject to the sustainability reporting requirements set out in Directive 2013/34/EU. Despite it being a large undertaking incorporated in a legal form listed in that Directive, the EFSF has a mandate that is largely similar to that of the European Stability Mechanism (ESM), namely to safeguard financial stability in the Union by providing temporary financial assistance to Member States whose currency is the euro. The ESM, however, is not subject to sustainability reporting requirements. Therefore, in order for the EFSF to benefit from the same treatment as the ESM as regards sustainability reporting and for the purposes of consistency with the exemption regime provided for by Directive 2004/109/EC, the EFSF should be exempt from the sustainability reporting regime provided for by Directive 2013/34/EU.

11 Article 19(1), fourth subparagraph, of Directive 2013/34/EU requires large undertakings, and small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union, namely the undertakings which are subject to mandatory sustainability reporting, to report information on key intangible resources and their role in the undertaking's business model and value creation. In order to ensure consistency with the new scope and to achieve the objectives of such reporting in a more proportionate way, that requirement should only apply to undertakings that have a net turnover exceeding EUR 450 000 000 and have more than 1 000 employees on average during the financial year.

12 Article 19a(3) of Directive 2013/34/EU requires undertakings to report information about their own operations and about their value chain. There is evidence that undertakings in the value chain, including small and medium-sized enterprises, receive disproportionate requests for information from reporting undertakings, notwithstanding the existing limitations set out in that Directive. It is therefore necessary to introduce protections for undertakings in the value chain that do not exceed the average number of 1 000 employees during the preceding financial year to limit the burden for those undertakings (the 'protected undertakings'). Reporting undertakings should be able to rely on a self-declaration issued by undertakings in their value chain for the purpose of determining the size of those undertakings. No further verification by the reporting undertaking should be necessary. However, the reporting undertaking should not rely on a self-declared size that it knows, or can reasonably be expected to know, is manifestly incorrect. When seeking to obtain information about

[7] 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, ELI: http://data.europa.eu/eli/dir/2004/109/oj).

their value chain, reporting undertakings should be prohibited from requiring information exceeding certain limits from protected undertakings. Those limits should reflect the limits specified by the sustainability reporting standards for voluntary use to be adopted by the Commission. At the same time, protected undertakings in the value chain of the reporting undertakings should be given a statutory right to refuse to provide information exceeding those limits. To ensure the effectiveness of that right and to avoid placing a burden on smaller undertakings to proactively assess whether that right applies, reporting undertakings which choose to request information exceeding those limits should be required to ensure that protected undertakings are informed of which extra information is requested and of their statutory right to decline to provide it. To ensure proportionality, the scope of this 'value-chain cap' should be limited in the following ways. First, it should not prohibit the sharing of information on a voluntary basis, such as information that is commonly shared among undertakings in a given sector. Second, it should not affect any obligation that might exist, whether contractually or under Union or national law, to provide information that does not exceed the information specified in the voluntary standard. Third, the value chain cap should only apply to information gathering carried out for the purpose of reporting sustainability information as required by Directive 2013/34/EU. It should not affect Union requirements to conduct a due diligence process or information gathering carried out for any other purpose, such as for the reporting undertaking's risk management. Undertakings reporting in accordance with those limitations should be deemed to comply with the obligation to report value chain information as required by Directive 2013/34/EU. It is important that reporting undertakings only request information from undertakings in their value chain insofar as necessary. In particular, it is important that they request less information than that specified in the standards for voluntary use if they do not need all the information in those standards. Assurance providers should prepare their assurance opinion respecting the protections provided for undertakings in the value chain. Furthermore, recognising that all the necessary information might not always be available from undertakings in the value chain, the reporting undertaking should be able to meet the reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information, as appropriate.

13 Given the change to the series of application dates set out in Directive (EU) 2022/2464, Directive 2013/34/EU should be amended to simplify the three-year transition period and to clarify that it begins at the point in time at which an undertaking becomes required to report sustainability information in accordance with Directives 2013/34/EU and (EU) 2022/2464.

14 There are circumstances in which undertakings should, subject to assurance, be permitted to omit certain information when applying sustainability reporting requirements. Such circumstances should be developed and clarified. First, in certain cases the disclosure of sustainability information could seriously prejudice the commercial position of an undertaking. In such cases, the undertaking should be allowed to omit such information, provided that specific conditions for the omission are met to ensure that such cases remain exceptional and that the interests of the users of reported sustainability information are also adequately protected. In that context, the commercial position of the reporting undertaking is not seriously prejudiced by the fact that third-country undertakings are not required to report the same information. Second, undertakings should be able to omit information corresponding to intellectual capital, intellectual property, know-how, technological information or the results of innovation that would qualify as a trade secret as defined in Directive (EU) 2016/943 of the European Parliament and of the Council[8]. Third, undertakings should be able to omit classified information. Finally, there might be information that should be kept confidential for reasons not relating to commercial prejudice, trade secrecy or classification. In particular, undertakings should be free to omit information that is to be protected from unauthorised access or disclosure pursuant to other Union legal acts or national law. Moreover, the sustainability reporting requirements should not oblige undertakings to disclose information which would be prejudicial to the privacy of natural persons or to the security of natural or legal persons. That is especially important in the current geopolitical context. Defence undertakings, in particular, need to have

[8] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJ L 157, 15.6.2016, p. 1, ELI: http:// data.europa.eu/eli/dir/2016/943/oj).

discretion to withhold sensitive information the disclosure of which could be prejudicial to their own security or to that of other legal persons, including Member States.

15 Article 29c(1) of Directive 2013/34/EU empowers the Commission to adopt limited sustainability reporting standards specifying the information to be reported by small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union, small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings that rely on the derogation to provide limited sustainability reporting set out in Article 19a(6) of that Directive. Since this Directive excludes small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union from the sustainability reporting regime, the empowerment for the Commission to adopt delegated acts to provide for sustainability reporting standards for those small and medium-sized undertakings should be removed. References to Article 29c of Directive 2013/34/EU should accordingly be deleted from that Directive.

16 Article 19a(7) of Directive 2013/34/EU allows small and medium-sized undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union to opt out from the sustainability reporting regime for the first two years of its application. Since this Directive excludes small and medium-sized undertakings from the sustainability reporting regime, the provision allowing for the two-year opt out should be deleted.

17 Article 29a(1) of Directive 2013/34/EU requires parent undertakings of groups of a certain size to prepare and publish sustainability reporting at consolidated level. However, it is appropriate to increase the flexibility in the case of financial holding undertakings. In particular, where a group of that size exists only by virtue of the diverse investments of a financial holding undertaking, consolidated reporting might present practical difficulties and burdens and be of limited use to other market participants. Consequently, financial holding undertakings that are parent undertakings of such groups should have the option to choose whether to report consolidated sustainability information or whether to omit such information. That option should be strictly limited given its objective. It should only apply where the parent undertaking meets the definition of a financial holding undertaking, including the requirement not to involve itself directly or indirectly in the management of the subsidiary undertakings, without prejudice to its rights as a shareholder. Those rights include the right to vote at general shareholder meetings, which could, depending on national company law rules, inter alia, relate to the appointment of members of the management, administrative and supervisory bodies of the undertakings in which holdings exist, in order to ensure the proper oversight and protection of those investments. Additionally, financial holding undertakings should only have that option where they have holdings in undertakings whose business models and operations are independent of one another. This excludes cases where the subsidiaries of a financial holding undertaking are closely interconnected through their business activities, for example when the activities of one subsidiary enable or directly support the activities of another subsidiary. Finally, that option should not affect any reporting obligations that might apply to other undertakings in the group, for instance if an undertaking in the group falls within the scope of Article 19a or 29a of Directive 2013/34/EU in its own right.

18 Directive (EU) 2022/2464 requires certain undertakings to report sustainability information in accordance with mandatory European Sustainability Reporting Standards (ESRS). In July 2023, the Commission adopted the first set of ESRS. To deliver swiftly on the simplification and streamlining of sustainability reporting, the Commission, within six months of the entry into force of this Directive, will adopt a delegated act to revise the first set of ESRS in order to substantially reform ESRS by: (i) removing datapoints deemed least important for general purpose sustainability reporting; (ii) prioritising, to the extent possible, quantitative datapoints over narrative text; (iii) further distinguishing between mandatory and voluntary datapoints; (iv) providing clear instructions on how to apply the materiality principle in order to ensure that undertakings are only required to report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process; (v) improving consistency with other pieces of Union legislation, including financial services legislation; and (vi) taking account, to the greatest extent possible, of interoperability with global sustainability reporting standards. The revision will clarify

provisions that are deemed unclear and simplify the structure and presentation of the standards. It will also make any other modifications that might be considered necessary considering the experience gained in the application of the first set of ESRS. Sustainability reporting standards should also take account of the difficulties that undertakings might encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements and from suppliers in emerging markets and economies.

19 When the composition of a group changes during the financial year due to the acquisition or merger of undertakings, integrating those undertakings into the sustainability reporting process for the same financial year might take additional time and pose administrative challenges. It is therefore appropriate to enable the parent undertaking subject to consolidated sustainability reporting requirements to postpone the sustainability reporting for such newly acquired or merged undertakings to the subsequent financial year. In addition, when an undertaking leaves a group of undertakings during the financial year, requiring the parent undertaking subject to consolidated sustainability reporting requirements to provide sustainability information on that undertaking for the same financial year would be disproportionate. It is therefore appropriate to allow the parent undertaking not to include in the consolidated management report for that financial year the sustainability information on the undertaking that left the group. Considering that certain events affecting the undertakings that were acquired or merged or that left the group of undertakings might nevertheless have an effect on the group's impacts on, or risks or opportunities related to, sustainability matters, it is appropriate to require the parent undertaking that chooses not to provide sustainability information on those undertakings for a financial year to indicate those significant events in its consolidated management report.

20 Article 29b(1), third subparagraph, of Directive 2013/34/EU empowers the Commission to adopt, by means of delegated acts, sector-specific reporting standards, with the first set of such standards to be adopted by 30 June 2026. To avoid an increase in the number of prescribed datapoints that undertakings are required to report, that empowerment should be deleted. Depending on the demand from undertakings subject to the sustainability reporting requirements set out in Directive 2013/34/EU, the Commission could support undertakings by providing sector-specific guidance that illustrates and facilitates the application of ESRS within a given sector, including guidance on the conduct of the double materiality assessment aimed at identifying sustainability matters likely to be material for a typical undertaking operating in the given sector. Any such guidelines should be based on consultations with relevant stakeholders. Where appropriate, relevant international standards could be taken into account.

21 Article 29b(4) of Directive 2013/34/EU requires sustainability reporting standards not to specify disclosures that would require undertakings to obtain from small and medium-sized undertakings in their value chain any information that goes beyond the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union. Since this Directive excludes small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union from the sustainability reporting regime, and in order to reduce the reporting burden for undertakings in the value chain that are not required to report on their sustainability, the sustainability reporting standards should not specify disclosures that would require undertakings to obtain from undertakings in their value chain that have up to 1 000 employees on average during the financial year any information that goes beyond the information to be disclosed pursuant to the sustainability reporting standards for voluntary use by undertakings that are not required to report on their sustainability.

22 The Commission should be empowered to adopt a delegated act to provide for sustainability reporting standards for voluntary use by protected undertakings. Those standards should be proportionate to, and relevant for, the capacities and the characteristics of those undertakings and proportionate to the scale and complexity of their activities. Other undertakings not required to report sustainability information should also be able to choose to make use of those standards. The sustainability reporting standards for voluntary use should use simplified language and take into account the 'think small first' principle, using modularity allowing for flexibility and progression

in the disclosures. To the greatest extent possible, sustainability reporting standards for voluntary use should take account of Regulation (EC) No 1221/2009 of the European Parliament and of the Council[9]. Those standards should also specify, where possible, the structure to be used to present that information. Until the Commission adopts sustainability reporting standards for voluntary use, undertakings that report sustainability information voluntarily are free to do so in accordance with Commission Recommendation (EU) 2025/1710[10] which is based on the voluntary standard for SMEs (VSME) developed by EFRAG. To ensure continuity and proportionality, the sustainability reporting standards for voluntary use adopted by the Commission by means of a delegated act should be based on that Recommendation.

23 In order to ensure that the sustainability reporting standards for voluntary use remain aligned with developments relevant to sustainability reporting, the Commission should review those standards at least every four years. In carrying out that review, the Commission should take due account of developments relevant to sustainability reporting as well as whether the standards enable undertakings to achieve relevant objectives, including: (i) providing information that meets the data needs of undertakings requesting sustainability information from their suppliers; (ii) providing information that meets the data needs of financial institutions and investors and thereby facilitates undertakings' access to finance; (iii) improving the management of sustainability matters, including, as relevant, environmental and social aspects such as pollution and workforce health and safety, in a manner that strengthens the competitiveness and resilience of undertakings; and (iv) contributing to a more sustainable and inclusive economy. Where those objectives are not achieved, the Commission should amend the standards accordingly.

24 Article 29d of Directive 2013/34/EU requires undertakings subject to the requirements set out in Articles 19a and 29a of that Directive to prepare their management report or consolidated management report, as applicable, in the single electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815[11] and to mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council[12], in accordance with the electronic reporting format specified in that Delegated Regulation. To provide undertakings with clarity, it should be specified that, until such rules on the marking-up of sustainability reporting are adopted by means of Commission Delegated Regulation (EU) 2019/815, undertakings should not be required to mark up their sustainability reporting.

25 Article 33(1) of Directive 2013/34/EU specifies that the members of the administrative, management and supervisory bodies of an undertaking have collective responsibility for ensuring that certain documents are drawn up and published in accordance with the requirements of that Directive. To provide flexibility for undertakings and reduce the reporting burden on them, Member States should be able to provide that the collective responsibility of the members of the administrative, management and supervisory bodies of an undertaking for ensuring compliance with the requirements of that Directive as regards the digitalisation of the management report is limited to its publication in the single electronic reporting format, including the marking-up of the sustainability reporting therein.

26 Pursuant to Article 40a(1), fourth and fifth subparagraphs, of Directive 2013/34/EU, certain subsidiaries in the Union of a third-country undertaking that generates a net turnover of more than

[9] 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, ELI: http://data.europa.eu/eli/reg/2009/ 1221/oj).

[10] Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings (OJ L, 2025/1710, 5.8.2025, ELI: http://data.europa.eu/eli/reco/2025/1710/oj).

[11] 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, ELI: http://data.europa.eu/eli/reg_del/2019/815/oj).

[12] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13, ELI: http://data.europa.eu/ eli/reg/2020/852/oj).

EUR 150 000 000 in the Union, or, in the absence of such subsidiaries, branches in the Union of a third-country undertaking that generate a net turnover of more than EUR 40 000 000, are to publish and make accessible sustainability information at the group level, or, if not applicable, the individual level, of the third-country undertaking. To relieve the burden on third-country undertakings in a similar proportion to the reduction in burden on undertakings subject to Articles 19a and 29a of that Directive, the net turnover threshold for the third-country undertaking should be raised from EUR 150 000 000 to EUR 450 000 000. In addition, for reasons of burden reduction, the size of a subsidiary of a third-country undertaking and a branch of a third-country undertaking for such subsidiaries and branches to fall within the scope of Directive 2013/34/EU as regards sustainability reporting should also be adjusted. The net turnover threshold for the subsidiary of a third-country undertaking and the branch of a third-country undertaking should be set at EUR 200 000 000. The reporting requirements for the subsidiary of the third-country undertaking or the branch of the third-country undertaking under Article 40a are different from the reporting requirements for undertakings under Articles 19a and 29a. The subsidiary of the third-country undertaking or branch of the third-country undertaking subject to Article 40a is only required to publish and make available the sustainability report provided by the third-country undertaking, whereas undertakings subject to Articles 19a and 29a are required to report on their own behalf. It is therefore not necessary to apply the same thresholds when identifying which subsidiaries or branches are subject to the reporting requirements under Article 40a and which undertakings are subject to the reporting requirements under Article 19a and 29a. Furthermore, to ensure a level playing field, third-country parent undertakings which are financial holding undertakings whose subsidiaries' business models and operations are independent of one another should be allowed not to publish and make accessible a sustainability report in accordance with Article 40a.

27 To ensure that undertakings can access practical information about the application of mandatory and voluntary sustainability reporting standards as set out in Directive 2013/34/EU, and to ease the burden of applying those sustainability reporting standards, the Commission should provide for a dedicated online portal. The dedicated online portal should give access to information, guidance and support, including relevant templates, regarding those sustainability reporting standards. The dedicated online portal should be interconnected with online support measures provided by Member States, where they exist, to take account of national context.

28 In order to reduce the administrative burden stemming from meeting the sustainability reporting requirements mainly associated with the data collection, data processing and business-to-business sharing of data for undertakings, the Commission should present a report on initiatives that enable undertakings to collect, process and exchange data in a secure, seamless and automated manner. That should include: providing harmonised, standardised and structured digital data formats for efficient business-to-business sharing of activity data, such as electronic invoices or digital VSME reports; setting minimum technical requirements for digital systems used for sustainability data management and reporting to ensure interoperability; ensuring access to trustworthy and qualified data; and ensuring the possibility to share data through open and common Union data exchange infrastructure.

29 In order to adapt the net turnover thresholds for undertakings to be subject to sustainability reporting requirements, as with the passage of time inflation will erode their real value, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[13]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

[13] OJ L 123, 12.5.2016, p. 1, ELI: http://data.europa.eu/eli/agree_interinstit/2016/512/oj.

30 Article 5(2), first subparagraph, of Directive (EU) 2022/2464 specifies the dates by which the Member States are to apply the sustainability reporting requirements set out in Directive 2013/34/EU, with different dates depending on the size of the undertaking concerned. Considering that only undertakings with a net turnover exceeding EUR 450 000 000 and more than 1 000 employees on average during the financial year, at the group level, as appropriate, are to be subject to sustainability reporting requirements, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union should be removed.

31 It is important to ensure legal certainty regarding the reduction in the scope of undertakings subject to sustainability reporting requirements, especially regarding the personal scope of the relevant provisions at each point in time. Accordingly, Article 5(2), first subparagraph, point (a), of Directive (EU) 2022/2464, which concerns the first set of undertakings subject to that Directive, should be amended to limit its application to three financial years from 1 January 2024. For financial years starting on or after 1 January 2027, Article 5(2), first subparagraph, point (b), of Directive (EU) 2022/2464, which concerns the second set of undertakings subject to that Directive, should apply. Accordingly, undertakings that fall within the scope of Article 5(2), first subparagraph, point (a), of that Directive but outside the scope of point (b) thereof, as amended by this Directive, will fall outside the scope of this Directive as of financial years starting on or after 1 January 2027. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such undertakings from reporting obligations as regards the financial years beginning between 1 January 2025 and 31 December 2026. Member States are required to implement that derogation in a way that ensures compliance with the principle of legal certainty.

32 Article 5(2), third subparagraph, of Directive (EU) 2022/2464 specifies the dates by which the Member States are to apply the sustainability reporting requirements set out in Directive 2004/109/EC, with different dates depending on the size of the issuer concerned. Considering that only undertakings with a net turnover exceeding EUR 450 000 000 and more than 1 000 employees on average during the financial year, at the group level, as appropriate, are to be subject to sustainability reporting requirements, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union should be removed.

33 It is important to ensure legal certainty regarding the reduction in scope of issuers subject to sustainability reporting requirements, especially regarding the personal scope of the relevant provisions at each point in time. Accordingly, Article 5(2), third subparagraph, point (a), of Directive (EU) 2022/2464, which concerns the first set of issuers subject to that Directive, should be amended to limit its application to three financial years from 1 January 2024. For financial years starting on or after 1 January 2027, Article 5(2), third subparagraph, point (b), of Directive (EU) 2022/2464, which concerns the second set of issuers subject to that Directive, should apply. Accordingly, issuers that fall within the scope of Article 5(2), third subparagraph, point (a), of that Directive but outside the scope of point (b) thereof, as amended by this Directive, will fall outside the scope of this Directive as of financial years starting on or after 1 January 2027. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such issuers from reporting obligations as regards the financial years beginning between 1 January 2025 and 31 December 2026. Member States are required to implement that derogation in a way that ensures compliance with the principle of legal certainty.

34 Due to the change in the scope of undertakings subject to sustainability reporting obligations, the provisions on the review and reporting in Directive (EU) 2022/2464 should be adjusted. In order to ensure the Union's objective of enabling the disclosure of sufficient data on corporate sustainability, the Commission should assess the appropriateness of the new scope of Directive (EU) 2022/2464 as amended by this Directive. It is appropriate for that assessment to be based on, in particular, an analysis of the needs for sustainability data to mobilise private investments towards the objectives of the European Green Deal, on the one hand, and the influence of sustainability reporting on the competitiveness of the Union undertakings, on the other hand. It is also important that the review take into account the best practices developed and the actual level of preparedness of undertakings

to provide sustainability disclosures under Directive (EU) 2022/2464. To that end and in light of the principle of proportionality, when considering a possible extension of the scope, it is important that the Commission consider whether to balance that extension with the possibility of establishing a simplified reporting regime.

35 Directive (EU) 2024/1760 is not to constitute grounds for reducing the level of protection of certain rights and interests provided by national law or collective agreements applicable at the time of the adoption of that Directive. However, that should not prevent Member States from adjusting national corporate sustainability due diligence laws applicable at the time of the adoption of Directive (EU) 2024/1760, when implementing that Directive, in order to increase or ensure their alignment with it, in particular their scope.

36 Directive (EU) 2024/1760 does not aim to provide a comprehensive framework for the protection of human rights or the environment in the context of companies' operations. Instead, it aims to harmonise national law concerning general due diligence obligations on such companies and liability in that respect, thereby ensuring that companies active in the internal market contribute to sustainable development. Due diligence processes complement, rather than replace, the specific legal obligations that operate to protect, directly or indirectly, human rights or the environment. Those specific legal obligations include those deriving from, amongst many other examples, labour, working time and equality law; law concerning workplace health and safety, including the handling of hazardous materials; construction standards and building zoning law; and law regulating product or food safety. All such legal obligations fall outside the scope of Directive (EU) 2024/1760, unless and insofar as they include general due diligence obligations. To increase legal certainty and to ensure that the necessary regulatory freedom is explicitly preserved, Directive (EU) 2024/1760 should be amended to further clarify the limits of the scope of that Directive.

37 Directive (EU) 2024/1760 imposes wide-ranging due diligence obligations on certain companies. Because of that, its scope is limited to particularly large companies. Nevertheless, the report entitled 'The future of European competitiveness' identified the due diligence framework as 'a major source of regulatory burden', concluding in this respect that there was a 'need to better consider the size of companies affected by regulation'. Furthermore, Directive (EU) 2024/1760 can best achieve its objectives as regards the very largest companies, which have the greatest influence over their value chains, the greatest impact on human rights and the environment, and the greatest resources to implement due diligence diligently. For all of those reasons, and in line with the crucial objective of simplification, the scope of Directive (EU) 2024/1760 should be reduced. The turnover threshold of EUR 450 000 000 should be raised to EUR 1 500 000 000, and the threshold of 1 000 employees should be raised to 5 000 employees. Accordingly, the thresholds regarding companies that have entered into franchising or licensing agreements should be raised to EUR 75 000 000 with regard to royalties and EUR 275 000 000 with regard to turnover.

38 Article 4(1) of Directive (EU) 2024/1760 prohibits Member States from introducing, in their national law, provisions within the field covered by that Directive laying down human rights and environmental due diligence obligations diverging from those laid down in specific provisions of that Directive. To ensure that Member States do not go beyond that Directive and to avoid the creation of a fragmented regulatory landscape resulting in legal uncertainty and unnecessary burden, the full harmonisation provisions of Directive (EU) 2024/1760 should be expanded to include additional provisions regulating the core aspects of the due diligence process. That includes, in particular, the identification duty, the duty to prioritise adverse impacts, the duties to address adverse impacts that have been or should have been identified, the duty to provide for a complaints and notification mechanism, the duty to monitor due diligence measures, and the duty to report on the matters covered by that Directive. At the same time, Member States should continue to be allowed to introduce more stringent provisions on other aspects or provisions on due diligence that are more specific in terms of the objective or the field covered. Such provisions include provisions of national law regulating specific adverse impacts or specific sectors of activity, in order to achieve a different level of protection of human, employment and social rights, the environment or the climate. To increase legal certainty and to ensure the necessary regulatory freedom, in particular as regards emerging specific risks for which due diligence obligations might be important, it should be clarified

that such provisions include due diligence obligations concerning specific products, services or situations. Conversely, national rules going beyond a specific objective or field, for instance by regulating the due diligence process in general or regulating due diligence in an entire sector, do not constitute such provisions.

39 Article 5 of Directive (EU) 2024/1760 obliges Member States to ensure that large companies above a certain size conduct human rights and environmental due diligence. Article 8 of that Directive requires those companies to take appropriate measures to identify and assess adverse impacts, taking into account relevant risk factors. Companies should be required to conduct a scoping exercise, based solely on reasonably available information, to identify general areas across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners where adverse impacts are most likely to occur. When conducting the scoping exercise, companies are not required to systematically identify adverse impacts at entity level, but rather are required to scope general areas. In the scoping exercise, companies should rely solely on information that is reasonably available to them, which will as a general rule preclude requesting information from business partners. Nevertheless, companies have flexibility in judging what information is reasonably available to them.

40 Based on the results of the scoping exercise, companies should be required to carry out an in-depth assessment in the areas where adverse impacts were identified to be most likely to occur and most severe. Companies should not be required to request any information from business partners where no likely and severe risks were identified. The in-depth assessment should be aimed at obtaining accurate and reliable information, in particular about the nature, extent, causes, severity and likelihood of the identified adverse impacts, to enable the company to conduct, where relevant, the prioritisation of identified actual and potential adverse impacts in accordance with Directive (EU) 2024/1760 and adopt appropriate measures to address them in accordance with that Directive. To provide companies with additional flexibility, where a company has identified adverse impacts that are equally likely or equally severe in several areas, that company should be able to prioritise assessing adverse impacts which involve direct business partners. Companies are only required to take appropriate measures to identify adverse impacts. They are thus not required to identify every adverse impact in their operations, those of their subsidiaries, and those of their business partners. In some cases, that could lead to such an impact not being identified and, therefore, not being prevented, mitigated, brought to an end or minimised, despite the company having complied in full with its obligations under Directive (EU) 2024/1760. It follows that companies would not be penalised under that Directive for such an impact.

41 To limit the trickle-down effect on other companies, including small and medium-sized undertakings and small mid-cap companies, when it comes to the in-depth assessment of business partners, companies subject to Directive (EU) 2024/1760 should only request information from business partners where that information is necessary. It is important that any request be targeted, reasonable and proportionate. In the case of business partners with fewer than 5 000 employees, companies should request information only where the information cannot reasonably be obtained by other means such as from information they have or other sources.

42 Article 8(3) of Directive (EU) 2024/1760 requires Member States to ensure that for the purpose of identifying and assessing the adverse impacts, companies are entitled to make use of appropriate resources, including independent reports and information gathered through the notification mechanism and the complaints procedure provided for in that Directive. To reduce compliance-related burden for companies and the relevant business partners, it should be specified that digital solutions, industry and multi-stakeholder initiatives could also constitute appropriate resources. Therefore, companies should be able to obtain the necessary information through industry and multi-stakeholder initiatives in order to avoid duplicative requests. However, companies also remain free to obtain the information individually.

43 As adverse impacts should be prioritised according to their severity and likelihood and addressed gradually, if it is not possible to address at the same time and to the full extent all adverse impacts it has identified, a company should not be penalised under Directive (EU) 2024/1760.

44 Companies might find themselves in situations where their production heavily relies on inputs from one or several specific suppliers. In particular, where the business operations of such a supplier are linked to severe adverse impacts, including child labour or significant environmental harm, and the company has unsuccessfully exhausted all due diligence measures to address such impacts, the company, as a last resort should suspend the business relationship while continuing to work with the supplier towards a solution, where possible using any increased leverage resulting from the suspension. The suspension should end once the adverse impact is addressed.

45 To reduce burdens on companies and make stakeholder engagement more proportionate, companies should only be required to engage with workers, their representatives, including trade unions, and individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners, and that have a link to the specific stage of the due diligence process being carried out. That includes individuals or communities in the neighbourhood of plants operated by business partners where those individuals or communities are directly affected by pollution, or indigenous people whose right to lands or resources are directly affected by how a business partner acquires, develops or otherwise uses land, forests or waters. Moreover, stakeholder engagement should only be required for certain parts of the due diligence process, namely at the identification stage, for the development of action plans and enhanced action plans and when designing remediation measures.

46 To reduce administrative burdens on companies, the Commission should adopt general due diligence guidelines by 26 July 2027. In parallel, the application deadline for Directive (EU) 2024/1760 for all companies should be postponed to 26 July 2029. That two-year interval should provide companies with sufficient time to take into account the practical guidance and best practices included in the Commission's guidelines when implementing due diligence measures.

47 The provisions of Directive (EU) 2024/1760 on the transition plan for climate change have been deemed to be disproportionate, particularly due to the administrative burden on companies and supervisory authorities, and could lead to legal uncertainty. It is necessary to repeal those provisions in order to streamline obligations and support a more targeted and efficient implementation of that Directive.

48 Article 27(1) of Directive (EU) 2024/1760 requires Member States to lay down effective, proportionate and dissuasive penalties. Article 27(2) of that Directive requires Member States, when deciding whether to impose penalties and when determining their nature and appropriate level, to take due account of a series of factors that establish the gravity of the infringement and aggravating or mitigating factors. Article 27(4) of that Directive requires Member States, when imposing pecuniary penalties, to base them on the net worldwide turnover of the company concerned. However, that requirement appears unnecessary and could be misinterpreted as requiring pecuniary penalties to be based solely or primarily on the net worldwide turnover. Instead, in accordance with the requirement that penalties be effective, proportionate and dissuasive, supervisory authorities are required to take appropriate account of the net worldwide turnover, or, in the case of companies belonging to a group, the net consolidated worldwide turnover of the ultimate parent company, in conjunction with the series of factors laid down in Article 27(2) of that Directive. Accordingly, the requirement to base pecuniary penalties on the net worldwide turnover should be removed. Conversely, to ensure a level playing field across the Union and in line with the objective of harmonisation, Member States should be required to set a uniform maximum limit of pecuniary penalties of 3 % of the net worldwide turnover. The application of that maximum limit to companies belonging to groups should be clarified. Moreover, to increase the consistency of enforcement practices across the Union, the Commission, in collaboration with the Member States, should develop guidelines to assist supervisory authorities in determining the level of penalties.

49 To better achieve the principle of subsidiarity, the specific, Union-wide liability regime currently provided for in Directive (EU) 2024/1760 should be removed. At the same time, as a matter of both international law and Union law, Member States should be required to ensure that victims of adverse impacts have effective access to justice and to guarantee their right to an effective remedy, as enshrined in Article 2(3) of the International Covenant on Civil and Political Rights, Article 8 of

the Universal Declaration of Human Rights, Article 9(3) of the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) and Article 47 of the Charter of Fundamental Rights of the European Union. Member States should therefore ensure that, where a company is held liable for a failure to comply with the due diligence requirements laid down in Directive (EU) 2024/1760, and that, where such failure caused damage, victims are able to receive full compensation. That compensation should be granted in accordance with the principles of effectiveness and equivalence. In view of the different rules and traditions that exist at national level when it comes to allowing representative actions, the specific requirement in that regard set out in Directive (EU) 2024/1760 should be deleted. Such deletion is without prejudice to any provision of the applicable national law allowing a trade union, a non-governmental human rights or environmental organisation, any other non-governmental organisation or a national human rights institution to bring actions to enforce the rights of the alleged injured party, or to support such actions brought directly by such party. Furthermore, for the same reason, the requirement for Member States to ensure that the liability rules are of overriding mandatory application in cases where the law applicable to claims to that effect is not the national law of the Member State should be deleted. Such deletion does not restrict the possibility for Member States to provide that the provisions of national law transposing Directive (EU) 2024/1760 are overriding mandatory provisions as referred to in Regulation (EC) No 864/2007 of the European Parliament and of the Council[14], in cases where the law applicable to claims to that effect is not the national law of a Member State.

50 Article 36(1) of Directive (EU) 2024/1760 requires the Commission, by 26 July 2026, to submit a report to the European Parliament and to the Council on the necessity of laying down additional sustainability due diligence requirements tailored to regulated financial undertakings with respect to the provision of financial services and investment activities, and the options for such due diligence requirements and their impacts. As the deadline for such a review does not leave enough time to take into account the experience with the newly established general due diligence framework, the provisions on review and reporting in Directive (EU) 2024/1760 should be amended.

51 The transposition deadline should be postponed by one year and the dates from which Member States are to apply Directive (EU) 2024/1760 should be unified for all companies within the scope of that Directive in order to give companies more time to prepare for the requirements of that Directive. Additionally, several other dates in that Directive should be amended to reflect that one-year postponement, as well as the postponement specified in Directive (EU) 2025/794.

52 Since the objectives of this Directive cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.

53 Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 should therefore be amended accordingly,

HAVE ADOPTED THIS DIRECTIVE:

[**Note:** *Article I (amendments to Audit Directive), Article II (amendments to Accounting Directive), Article III (amendments to CSRD) are omitted as those amendments have been incorporated into the text of the Audit Directive, Accounting Directive and CSRD, respectively, as set forth above. Article IV (amendments to CSDDD) is omitted because the CSDDD is beyond the scope of this document.*]

[14] Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (OJ L 199, 31.7.2007, p. 40, ELI: http://data.europa.eu/eli/reg/2007/864/oj).

ARTICLE 5
Transposition

1 Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Articles 1, 2 and 3 by 19 March 2027. They shall immediately communicate the text of those measures to the Commission.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Article 4 by 26 July 2028. They shall immediately communicate the text of those measures to the Commission.

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

2 Member States shall communicate to the Commission the text of the main measures of national law which they adopt in the field covered by this Directive.

ARTICLE 6
Entry into force

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

ARTICLE 7
Addressees

This Directive is addressed to the Member States.