



Brussels, 26.2.2025  
COM(2025) 80 final

2025/0044 (COD)

Proposal for a

**DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**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**

(Text with EEA relevance)

{SWD(2025) 80}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

#### **• Reasons for and objectives of the proposal**

##### General context and objectives

In his report on ‘The Future of European Competitiveness’, Mario Draghi emphasised the need for Europe to create a regulatory landscape which facilitates competitiveness and resilience, drawing attention to burden and compliance costs created by the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).<sup>1</sup> In the Budapest Declaration on the New European Competitiveness Deal, EU Heads of State and Government called for ‘a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs’.<sup>2</sup> They called on the Commission to make concrete proposals to reduce reporting requirements by at least 25% in the first half of 2025.

In its Communication on the Competitive Compass for the EU, the Commission confirmed that it would propose a first ‘Simplification Omnibus package’ which would include far-reaching simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy.<sup>3</sup> In its Communication entitled ‘A simpler and faster Europe: Communication on implementation and simplification’, the Commission set out an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground, requiring more than an incremental approach and underlining the need for bold action to streamline and simplify EU, national and regional rules.<sup>4</sup>

The CSRD entered into force on 5 January 2023.<sup>5</sup> It strengthened and modernised corporate sustainability reporting requirements through modifications to the Accounting Directive, the Transparency Directive, the Audit Directive and the Audit Regulation.<sup>6</sup> The CSRD is an important element of the European Green Deal and of the Sustainable Finance Action Plan.<sup>7</sup> It aims to ensure that investors have the information they need to understand and manage the risks to which investee companies are exposed from climate change and other sustainability issues. It also aims to ensure that investors and other stakeholders have the information they

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<sup>1</sup> “The future of European competitiveness”, September 2024.

<sup>2</sup> Budapest Declaration on the New European Competitiveness Deal, 8 November 2024.

<sup>3</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, COM (2025) 30 final: A Competitiveness Compass for the EU.

<sup>4</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM (2025) 47 final: A simpler and faster Europe: Communication on implementation and simplification.

<sup>5</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 (Corporate Sustainability Reporting Directive).

<sup>6</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 (Accounting Directive). Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 (Transparency Directive). Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (Audit Directive). Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (Audit Regulation).

<sup>7</sup> Communication from the Commission, ‘The European Green Deal, COM(2019) 640 final. Communication from the Commission ‘Action Plan: Financing Sustainable Growth’, COM/2018/097 final.

need about the impacts of companies on people and the environment. It thereby contributes to financial stability and environmental integrity. This is a necessary condition for financial resources to flow to companies that pursue sustainability goals and creates more accountability and transparency towards all stakeholders regarding companies' sustainability performance.

The CSDDD was adopted on 13 June 2024. Its objective is to contribute to the European Union's broader ambition to transition towards a sustainable and climate-neutral economy as outlined in the European Green Deal. It requires companies to identify and address adverse human rights and environmental impacts in their own operations, those of their subsidiaries and their chains of activities.

The CSRD and the CSDDD are now being implemented in a new and difficult context. Russia's war of aggression against Ukraine has driven up energy prices for EU undertakings. Trade tensions are rising as the geopolitical landscape continues to shift. The different approach undertaken by some other major jurisdictions regarding the regulation of corporate sustainability reporting and due diligence raises questions about the effects of these laws on the competitive positioning of EU companies. The ability of the Union to preserve and protect its values depends amongst other things on the capacity of its economy to adapt and compete in an unstable and sometimes hostile geopolitical context.

This proposal therefore postpones the entry into application of the CSDDD and of certain provisions of the CSRD.

#### Specific context and objectives of this proposal regarding the CSRD

The CSRD currently applies to large undertakings, SMEs with securities listed on the EU regulated markets, parent undertakings of large groups, as well as to issuers that belong to these categories of undertakings. The entry into application of the reporting requirements introduced by the CSRD is phased in according to different categories of undertakings. In the first wave, large public interest entities with more than 500 employees must report for the first time in 2025 for financial year 2024.<sup>8</sup> In the second wave, the other large undertakings must report in 2026 for financial year 2025.<sup>9</sup> In the third wave, SMEs with securities listed in EU regulated markets must report in 2027 for financial year 2026, although they have a possibility to opt out of reporting for financial years 2026 and 2027.<sup>10</sup> In the fourth wave, certain non-EU undertakings that have business in the territory of the Union above certain thresholds must report in 2029 for financial year 2028.<sup>11</sup>

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<sup>8</sup> As well as public-interest entities that are parent undertakings of a large group with more than 500 employees, for consolidated sustainability reporting. "Public-Interest Entities" are defined by Article 2 point (1) of the Accounting Directive as undertakings that are: (a) governed by the law of a Member State and whose transferable securities are admitted to trading on an EU regulated market; (b) credit institutions; (c) insurance undertakings; or (d) designated by Member States as public-interest entities. "Large undertakings" are defined by Article 3(4) of the Accounting Directive as undertakings which on their balance sheet dates exceed at least two of the three following criteria: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.

<sup>9</sup> As well as the other parent undertakings of large groups, for consolidated sustainability reporting.

<sup>10</sup> Small and non-complex credit institutions, and captive insurance and reinsurance undertakings, are also part of the third wave, although they may only use the additional two-year opt-out if they are listed SMEs.

<sup>11</sup> According to article 40a of the Accounting Directive, as amended by the CSRD, an undertaking not established in the EU must report sustainability information at the group level if it a) generates over EUR 150 million in the Union and b) has either a subsidiary in the EU that is subject to the sustainability reporting

The CSRD requires undertakings in scope to report sustainability information according to mandatory European Sustainability Reporting Standards (ESRS) and requires the Commission to adopt such standards through delegated acts. In July 2023 the Commission adopted a first set of ESRS which are sector-agnostic, meaning they are to be applied by all undertakings in scope independently of the sector of the economy in which the undertaking operates.<sup>12</sup> The CSRD also requires the Commission to adopt sector-specific reporting standards, with a first set of such standards to be adopted by June 2026. The CSRD allows listed SMEs to report using a separate and lighter, proportionate set of standards instead of the full set of ESRS.

At the request of the Commission, EFRAG has submitted a sustainability reporting standard for voluntary use by SMEs that are not in scope of the reporting requirements (VSME standard).<sup>13</sup> The objective of the VSME standard is to provide SMEs with a simple, widely recognised tool through which they can provide sustainability information to banks, large companies and other stakeholders that may demand such information.

Other important aspects of the CSRD are the provisions on assurance and on reporting value-chain information. Undertakings must publish their sustainability information together with the opinion of a statutory auditor or, if the Member States allows, an independent assurance service provider. The current requirement is for limited assurance and the CSRD provides that this could in the future become a requirement for reasonable assurance under certain conditions.<sup>14</sup> The CSRD also requires the Commission to adopt standards for sustainability assurance by means of delegated acts.

The CSRD requires undertakings to report value-chain information to the extent necessary for understanding their sustainability-related impacts, risks and opportunities. The CSRD establishes a so-called value-chain cap, which states that ESRS may not contain reporting requirements that would require undertakings to obtain from SMEs in their value chain information that exceeds the information to be disclosed under the proportionate standard for listed SMEs.

This proposal aims to reduce the reporting burden and to limit the trickle down of obligations on smaller companies. Firstly, the separate legislative proposal made by the Commission in parallel to this proposal would simplify the framework and reduce burden in the following ways:

- The number of undertakings subject to mandatory sustainability reporting requirements would be reduced by about 80%, taking out of scope large undertakings with up to 1000 employees (i.e. some of the undertakings from the second wave and some of the undertakings from the first wave) and listed SMEs (i.e. all undertakings

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requirements introduced by the CSRD or has an EU branch that generates over EUR 40 million. In this case, the legal obligation to publish the report falls on the EU subsidiary or branch.

<sup>12</sup> Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.

<sup>13</sup> EFRAG was previously called the European Financial Reporting Advisory Group but its official name is now just EFRAG. It is an independent private multistakeholder body, majority funded by the EU.

<sup>14</sup> The amount of work for a limited assurance engagement is significantly less than for a reasonable assurance engagement. 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 assurance provider to conclude that the subject matter is materially misstated. 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.

in the third wave). The reporting requirements would only apply to large undertakings with more than 1000 employees on average (i.e. undertakings that have more than 1000 employees and either a turnover above EUR 50 million or a balance sheet above EUR 25 million). This revised threshold would align the CSRD more closely with the CSDDD.<sup>15</sup>

- For undertakings not subject to mandatory sustainability reporting requirements, the Commission proposes a proportionate standard for voluntary use which would be based on the VSME standard developed by EFRAG. According to this proposal, the Commission would adopt this voluntary standard as a delegated act. In the meantime, to address market demand, the Commission intends to issue a recommendation on voluntary sustainability reporting as soon as possible, based on the VSME standard developed by EFRAG.
- The value-chain cap would be extended and strengthened. It would apply directly to the reporting company instead of being only a limit on what ESRS can specify. It would protect all undertakings with up to 1000 employees rather than just SMEs as is currently the case. And the limit would be defined by the voluntary standard adopted by the Commission as a delegated act, based on the VSME standard developed by EFRAG. This will substantially reduce the trickle-down effect.
- There would be no sector-specific reporting standards, so avoiding an increase in the number of prescribed datapoints that undertakings should report.
- The possibility of moving from a requirement for limited assurance to a requirement for reasonable assurance would be removed. This will provide clarity that there will be no future increase in costs of assurance for undertakings in scope.
- Instead of an obligation for the Commission to adopt standards for sustainability assurance by 2026, the Commission will issue targeted assurance guidelines by 2026. This will allow the Commission to more quickly address emerging issues in the field of sustainability assurance that may be generating unnecessary burden on undertakings that are subject to the reporting requirements.
- The proposal introduces an “opt-in” regime where large undertakings with more than 1000 employees on average (i.e. undertakings that have more than 1000 employees and either a turnover above EUR 50 million or a balance sheet above EUR 25 million) and a net turnover not exceeding EUR 450 million which claim that their activities are aligned or partially aligned with the EU Taxonomy shall disclose their turnover and CapEx KPIs and may choose to disclose their OpEx KPI. This “opt-in” approach will eliminate entirely the cost of compliance with the Taxonomy reporting rules for large undertakings with more than 1000 employees on average (i.e. undertakings that have more than 1000 employees and either a turnover above EUR 50 million or a balance sheet above EUR 25 million) and a net turnover not exceeding EUR 450 million which do not claim that their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. In addition, this proposal provides more flexibility by

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<sup>15</sup> In addition and for reasons of consistency, in Article 40a of the Accounting Directive, the net turnover threshold for an undertaking not established in the EU to be subject to the reporting requirements at the group level would be raised from EUR 150 million generated in the Union to EUR 450 million. Furthermore, for reasons of consistency, the threshold for the EU branch under article 40a is raised from EUR 40 million to EUR 50 million and the threshold for the EU subsidiary is limited to large undertakings as defined in the Accounting Directive. The key thresholds of the CSDDD are 1000 employees and EUR 450 million turnover.

allowing these undertakings to report on activities that meet certain Taxonomy technical screening criteria without meeting all of them. Such reporting on partial alignment can foster a gradual environmental transition of activities overtime, in line with the aim to scale up transition finance.

Secondly, the Commission intends to adopt without delay a delegated act to revise the first set of ESRS. To deliver swiftly on the simplification and streamlining of the ESRS, and to provide clarity and legal certainty to undertakings, the Commission aims to adopt the necessary delegated act as soon as possible, and at the latest six months after the entry into force of the Directive to simplify the reporting framework that is the subject of the separate legislative proposal referred to above. The revision of the delegated act will substantially reduce the number of mandatory ESRS datapoints by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints, without undermining interoperability with global reporting standards and without prejudice to the materiality assessment of each undertaking. The revision will clarify provisions that are deemed unclear. It will improve consistency with other pieces of EU legislation. It will provide clearer instructions on how to apply the materiality principle, to ensure that undertakings only 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. It will simplify the structure and presentation of the standards. It will further enhance the already very high degree of interoperability with global sustainability reporting standards. It will also make any other modifications that may be considered necessary considering the experience of the first application of ESRS.

Thirdly, this proposal would postpone by two years the entry into application of the reporting requirements for the second wave (large undertakings that are not public interest entities and that have more than 500 employees, as well as large undertakings with fewer than 500 employees<sup>16</sup>) and the third wave (listed SMEs, small and non-complex credit institutions, and captive insurance and reinsurance undertakings). The objective of the postponement is to avoid a situation in which certain undertakings are required to report for financial year 2025 (second wave) or 2026 (third wave) and are then subsequently relieved of this requirement. Such a situation would mean that the undertakings in question incur unnecessary and avoidable costs.

The Commission invites co-legislators to reach rapid agreement on the proposed postponement, in particular to provide the necessary legal clarity for undertakings in the second wave that are currently required to report for the first time in 2026 for financial year 2025.

#### Specific context and objectives of this proposal regarding the CSDDD

According to the current rules, Member States should transpose the CSDDD by 26 July 2026. Entry into application is envisaged in three phases: as from July 2027, the rules would start applying only to the largest EU companies, i.e. those that have more than 5000 employees and report a net annual (worldwide) turnover of more than 1.5 billion euro, as well as to non-EU companies that generate more than EUR 1.5 billion net turnover in the EU. In the second

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<sup>16</sup> As well as undertakings that are not public-interest entities and that are parent of large groups with more than 500 employees, and undertakings that are parents of large groups with fewer than 500 employees.

wave, EU companies with more than 3000 employees and more than EUR 900 million net turnover, as well as non-EU companies generating such net turnover in the EU would need to comply with the new framework as from July 2028. Last, in July 2029, all other companies falling under the general scope would have to start applying the (national rules transposing the) Directive. As from this date, the CSDDD is estimated to apply to approximately 6000 large EU companies, and some 900 non-EU companies. The personal scope and phased-in application take into account that companies of different size have different capacities to implement the new mandatory framework and, as such, is a key element in ensuring a proportional approach.

In addition, the separate legislative proposal made by the Commission in parallel with this proposal would simplify the framework and reduce companies' burden in a number of ways. This proposal would postpone the first phase of the entry into application of the Directive by one year. The objective of the postponement is to provide additional time for the first group of companies to prepare for their obligations under the Directive, as amended, also taking into account the guidelines that the Commission will have adopted in accordance with the tighter timeline set out in the parallel simplification proposal.

Moreover, this proposal would postpone the transposition deadline for the Member States by one year to account for possible delays in their ongoing CSDDD transposition efforts due to possible amendments to the Directive by the parallel simplification proposal.

- **Consistency with existing policy provisions in the policy area**

Undertakings that are subject to the CSRD reporting requirements are also automatically required to report certain indicators under article 8 of the Taxonomy Regulation. By postponing the application of the reporting requirements for companies in the second and third waves, this proposal would therefore also automatically postpone the date by when such companies must report those indicators under the Taxonomy Regulation.

The reporting requirements set out in the CSRD and ESRS aim to ensure, amongst other things, that financial market participants, credit institutions and benchmark administrators have access to the sustainability information that they need from undertakings to meet their own reporting obligations under the Sustainable Finance Disclosure Regulation, the Capital Requirements Regulation and the Benchmarks Regulation. The proposed postponement will delay improvements to availability of information for financial market participants, credit institutions and benchmark administrators.

Undertakings subject to both the CSRD and the CSDDD are not required by the CSDDD to report any information additional to what they are required to report under the CSRD. Since this proposal postpones the measures foreseen in the CSDDD as well as the date of application of the reporting requirements for certain undertakings under the CSRD, meaning that the consistency between these two pieces of legislation is maintained.

- **Consistency with other Union policies**

This proposal is consistent with EU policy to enhance competitiveness, to simplify the regulatory framework and to reduce burden on business while still achieving the policy goals of the CSRD and CSDDD. This includes preserving the Green Deal as mid- to long-term competitiveness depends on companies sufficiently integrating sustainability considerations into their operations.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

### **• Legal basis**

The proposal's legal basis rests on Articles 50 and 114 of the Treaty on the Functioning of the European Union (TFEU). Article 50 of the TFEU is the legal basis for adopting EU measures aimed at attaining the right of establishment in the single market in company law, and it mandates the European Parliament and the Council to act by means of Directives. Article 114 of the TFEU is a general legal basis with the objective of establishing or ensuring the functioning of the single market – in this case, the free movement of capital. Articles 50 and 114 of the TFEU are the legal basis for Directive (EU) 2022/2464 and Directive (EU) 2024/1760.

### **• Subsidiarity (for non-exclusive competence)**

This proposal modifies the dates of entry of application of certain provisions of EU law. These dates can only be modified through action at EU level.

### **• Proportionality**

The policy objective is to delay the dates of entry of application of certain provisions of EU law. There only means of achieving that objective is to propose to modify those dates

### **• Choice of the instrument**

This proposal is composed of a Directive that amends provisions of the Corporate Sustainability Reporting Directive (CSRD) and of the Corporate Sustainability Due Diligence Directive (CSDDD). An Omnibus Directive is considered to be the most appropriate legal instrument to amend existing Directives as regards simplification and burden reduction in the area of sustainability reporting and due diligence.

## **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

### **• Ex-post evaluations/fitness checks of existing legislation**

The CSDDD has not yet been transposed or applied by companies. The CSRD has been applied by a first set of companies who are publishing their first sustainability statements mainly in the first half of 2025. It has therefore not been possible to undertake an ex-post evaluation or fitness check of either piece of legislation.

### **• Stakeholder consultations**

The following consultation activities have helped to shape the content of this proposal.

- European Commission 'Call for evidence on the rationalisation of reporting requirements', from October to December 2023.<sup>17</sup>

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<sup>17</sup> From 17 October to 1 December 2023, the Commission gathered feedback from 193 stakeholders on possible rationalization measures for reporting requirements. The main contributors came from business associations (84), companies (35), followed by public authorities (23) and non-governmental organisations (18). In terms of geographical coverage, the stakeholders came mainly from Germany (53), Belgium (47), France (7), Lithuania (8), the Netherlands (6), Italy (5), and Austria (4). Feedback included also the call for the use of digitalisation and smoother data flows, the re-use of data and standards, availability of clear and timely guidance and to remove overlaps and inconsistencies in the



- European Commission ‘Reality Check on Sustainability Reporting and Roundtable on Simplification’ in early February 2025.
- The European Commission has also held separate stakeholder activities including two large hybrid stakeholder forums on the CSRD in May and November 2024 with the participation of more than 400 people in person and more than 3000 people virtually.
- The European Commission received a very significant number of letters and detailed analyses from all types of stakeholders (from companies to investors, banks, civil society, Non-Governmental Organisations, chambers of commerce and Member States’ national administrations).

### Corporate Sustainability Reporting Directive

The European Commission’s Call for Evidence on the Rationalisation of Reporting Requirements sought evidence and views regarding regulations which are perceived to produce administrative burden. Almost 200 stakeholders responded, and primarily called for a simplification of sustainability reporting, due diligence and the EU Taxonomy.

In the European Commission’s meetings with European industry, social partners and civil society in early February 2025, stakeholders expressed support for the overarching objectives of the CSRD and CSDDD but highlighted a need for simplification and harmonisation in their implementation.

Some stakeholders, particularly business and industry groups, suggested pausing the application of existing legislation to focus on simplification. They argued that a postponement of the reporting requirements of the CSRD would give the Commission the opportunity to simplify the framework while allowing companies more time to prepare for any impending changes.

Other stakeholders, particularly civil society groups, saw strong merits in maintaining the rules and argued for the importance of legal certainty and regulatory stability for companies, as well as for maintaining the objectives of the European Green Deal and the Sustainable Finance Action Plan. They also highlighted that implementation guidelines should be used to clarify and simplify certain parts of the sustainability reporting framework, instead of a postponement or change to the existing rules.

The need for simplification has also been echoed by many other reports, recommendations, and stakeholder views from both financial and non-financial sector undertakings, many of which underscore the importance of reducing complexity and administrative burdens and which have informed the burden reduction measures described in this proposal.

### Corporate Sustainability Due Diligence Directive

Consultations with various stakeholders, including businesses, trade associations, and civil society organizations, as well as other contacts with and inputs received from stakeholders have informed the proposal. This includes, in particular, a two days-stakeholder event that allowed the Commission to hear from practitioners about which challenges they see with the current legislative framework and what could be possible solutions to address them. While some stakeholders called for far-reaching changes and postponements, others emphasized the

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legislation. [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements_en)

need for regulatory certainty and opposed reopening the Directive, instead focusing on implementation. The proposal, together with the parallel proposal on simplification, aims to balance these perspectives by maintaining the integrity of the CSDDD while introducing changes to simplify and streamline the Directive.

- **Collection and use of expertise**

Not applicable.

- **Impact assessment**

This proposal is accompanied by a Commission Staff Working Document that includes an analysis of the impacts of the proposed measures. Given the urgent need to put forward proposals to address the identified problems, it has not been possible to prepare a full impact assessment.

- **Regulatory fitness and simplification**

This proposal is expressly designed to facilitate a major simplification of the sustainability reporting regime.

- **Fundamental rights**

#### Corporate Sustainability Reporting Directive

The proposal respects the fundamental rights enshrined, and adheres to the principles stated, in the Charter of Fundamental Rights of the European Union. The Corporate Sustainability Reporting Directive has an indirect positive impact on fundamental rights, given that sustainability reporting requirements can influence corporate behaviour for the better. It serves to make companies more aware of fundamental rights and positively influence how they identify and manage actual and potential adverse impacts on fundamental rights. The proposed postponement would also delay these positive impacts with regard to companies that would start applying the reporting requirements at a later date. However the reduction of burden on such companies, and especially the reduction of burden on companies that would be taken out of the CSRD scope by the separate proposal made by the Commission in parallel to this proposal, should lead to other societal gains in terms of wealth creation, employment and innovation, including innovation for sustainability.

#### Corporate Sustainability Due Diligence Directive

The proposal respects the fundamental rights enshrined, and adheres to the principles stated, in the Charter of Fundamental Rights of the European Union. The CSDDD has protection and promotion of fundamental rights as one of its main objectives. It requires very large companies to identify and address adverse human rights and environmental impacts in their own operations, those of their subsidiaries and their chains of activities. The proposed postponement would delay these positive impacts with regard to the first group of companies in the scope of the Directive that would start applying the due diligence requirements at a later date.

## **4. BUDGETARY IMPLICATIONS**

The proposal does not have any budgetary implications.

## 5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Not applicable.

- **Explanatory documents (for directives)**

No explanatory documents are considered necessary.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 amends Article 5(2) of Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive “CSRD”) by introducing a 2-year postponement of the sustainability reporting requirements for all companies in the CSRD scope that are required to comply from financial year 2025 or 2026 depending on their size.

In particular:

- Paragraph (1) point (a) requires Member States to ensure that the following undertakings report on sustainability from financial years starting on or after 1 January 2027 (instead of 1 January 2025):
  - large undertakings with not more than 500 employees on average during the financial year;
  - large undertakings with more than 500 employees on average during the financial year but that are not public-interest entities;
  - 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;
  - 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, but that are not public-interest entities;
- paragraph (1) point (b) requires Member States to ensure that SMEs with securities admitted to trading on an EU regulated market, small and non-complex institutions (provided they are large undertakings or listed SMEs) and EU captive (re)insurance undertakings (provided they are large undertakings or listed SMEs) report on sustainability from financial years starting on or after 1 January 2028 (instead of 1 January 2026);
- paragraph (2) point (a) requires Member States to ensure that the following issuers report on sustainability from financial years starting on or after 1 January 2027 (instead of 1 January 2025):
  - issuers that are large undertakings with not more than 500 employees on average during the financial year;
  - issuers that are parent undertakings of a large group with not more than 500 employees on average, on a consolidated basis, during the financial year;
- paragraph (2) point (b) requires Member States to ensure that issuers that are SMEs, small and non-complex institutions (provided they are large undertakings or listed SMEs) and EU captive (re)insurance undertakings (provided they are large undertakings or listed SMEs) report on sustainability from financial years starting on or after 1 January 2028 (instead of 1 January 2026).

Article 2 amends Article 37 of Directive (EU) 2024/1760 (Corporate Due Diligence Directive "CSDDD") by postponing the transposition deadline as well as the application of the Directive by 1 year for the first group of companies in the scope of the Directive.

Article 3 requires Member States to transpose Article 1 of this Directive by 31 December 2025 at the latest, and to communicate to the Commission the text of their transposing measures.

Article 4 specifies that this Directive enters into force on the day following that of its publication in the Official Journal of the European Union.

Proposal for a

**DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**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**

(Text with EEA relevance)

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<sup>18</sup>,  
Acting in accordance with the ordinary legislative procedure,  
Whereas:

- (1) In its Communication of 11 February 2025 entitled ‘A simpler and faster Europe: Communication on implementation and simplification’<sup>19</sup>, 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 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 reduce reporting burdens and enhance competitiveness, it is necessary to introduce targeted amendments to Directives (EU) 2022/2464<sup>20</sup> and (EU) 2024/1760<sup>21</sup> of the European Parliament and of

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<sup>18</sup> OJ C [...], [...], p. [...].

<sup>19</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 February 2025, ‘*A simpler and faster Europe: Communication on implementation and simplification*’, COM(2025) 47 final.

<sup>20</sup> 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>).

<sup>21</sup> 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 Council, to achieve those objectives, whilst maintaining the policy objectives of the Green Deal<sup>22</sup> and the Sustainable Finance Action Plan<sup>23</sup>.

- (3) Article 5(2) first subparagraph of 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<sup>24</sup>, 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. The other large undertakings, and the 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 - excluding micro-undertakings -, small and non-complex institutions and captive (re)insurance undertakings are to report in 2027 for financial years beginning on or after 1 January 2026. Considering the ongoing Commission's initiatives aiming at simplifying certain existing sustainability reporting obligations and to reduce the undertakings' related administrative burden, to provide for legal clarity, and to avoid that the undertakings currently required to report for financial years beginning on or after 1 January 2025 and on or after 1 January 2026 incur unnecessary and avoidable costs, the sustainability reporting requirements for those undertakings should be postponed by two years respectively.
- (4) Article 5(2), third subparagraph of 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<sup>25</sup>, 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. The other issuers that are large undertakings, and the 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 - excluding micro-undertakings -, small and non-complex institutions and captive (re)insurance undertakings are to report in 2027 for financial years beginning on or after 1 January 2026. Considering

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<sup>22</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 December 2019, '*The European Green Deal*', COM/2019/640 final.

<sup>23</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, '*Action Plan: Financing Sustainable Growth*', COM/2018/097 final.

<sup>24</sup> 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>).

<sup>25</sup> 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>).

the ongoing Commission's initiatives aiming at simplifying certain existing sustainability reporting obligations and to reduce the undertakings' related administrative burden, to provide for legal clarity, and to avoid that the issuers currently required to report for financial years beginning on or after 1 January 2025 and on or after 1 January 2026 incur unnecessary and avoidable costs, the sustainability reporting requirements for those issuers should be postponed by two years respectively.

- (5) The date by which Member States are to apply Directive 2024/1760 should be postponed by one year for the first group of companies in the scope of that Directive, 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.
- (6) Moreover, in light of the parallel legislative proposal aiming at simplifying the sustainability framework and reduce burdens for companies, the deadline for the Member States to transpose Directive 2024/1760 should be extended by one year to account for 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 to achieve those objectives.
- (8) Directives (EU) 2022/2464 and (EU) 2024/1760 should therefore be amended accordingly.
- (9) 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,

HAVE ADOPTED THIS DIRECTIVE:

### *Article 1*

#### **Amendments to Directive (EU) 2022/2464**

In Directive (EU) 2022/2464, Article 5(2) is amended as follows:

- (1) the first subparagraph is amended as follows:
  - (a) in point (b), the introductory wording is replaced by the following:  
'for financial years starting on or after 1 January 2027:';
  - (b) in point (c), the introductory wording is replaced by the following:  
'for financial years starting on or after 1 January 2028:';
- (2) the third subparagraph is amended as follows:
  - (a) in point (b), the introductory wording is replaced by the following:  
'for financial years starting on or after 1 January 2027:';
  - (b) in point (c), the introductory wording is replaced by the following:

‘for financial years starting on or after 1 January 2028.’.

## *Article 2*

### **Amendments to Directive (EU) 2024/1760**

In Article 37(1) of Directive (EU) 2024/1760, the first and second subparagraphs are replaced by the following:

‘Member States shall adopt and publish, by 26 July 2027, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate the text of those measures to the Commission.

They shall apply those measures:

- (a) from 26 July 2028 as regards companies referred to in Article 2(1), points (a) and (b), which are formed in accordance with the legislation of the Member State and that had more than 3 000 employees on average and generated a net worldwide turnover of more than EUR 900 000 000 in the last financial year preceding 26 July 2028 for which annual financial statements have been or should have been adopted, with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2029;
- (b) from 26 July 2028 as regards companies referred to in Article 2(2), points (a) and (b), which are formed in accordance with the legislation of a third country and that generated a net turnover of more than EUR 900 000 000 in the Union, in the financial year preceding the last financial year preceding 26 July 2028, with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2029;
- (c) from 26 July 2029 as regards all other companies referred to in Article 2(1), points (a) and (b), and Article 2(2), points (a) and (b), and companies referred to in Article 2(1), point (c), and Article 2(2), point (c), with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2030.’.

## *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 at the latest. They shall forthwith communicate to the Commission the text of those provisions.

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 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.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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# 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

## 1.1. Title of the proposal/initiative

Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements for undertakings.

## 1.2. Policy area(s) concerned

Capital Markets Union, Savings and Investment Union, European Green Deal, Sustainable Finance Strategy, Company law and corporate governance

## 1.3. Objective(s)

### 1.3.1. General objective(s)

The general objectives pursued by this legislative proposal are to simplify and reduce certain elements of Directive 2006/43/EC, Directive 2013/34/EU, Directive (EU) 2022/2464 and Directive (EU) 2024/1760 in order to alleviate the reporting burden on companies in scope of the requirements.

By reducing the administrative burden associated with reporting requirements and compliance costs of sustainability reporting stemming from the above legislation, this proposal intends to enhance the proportionality of the framework and the competitiveness of European companies, while also maintaining the objectives of the European Green Deal.

### 1.3.2. Specific objective(s)

The specific objectives of the proposed amendments to Directive (EU) 2022/2464 included in this proposal aim to achieve the following results:

- Postpone the sustainability reporting requirements on wave 2 and wave 3 companies by two years.

The specific objectives of the proposed amendments to Directive (EU) 2024/1760 included in this proposal aim to achieve the following results:

- Postpone the transposition deadline and the application of the sustainability due diligence requirements for wave 1 companies by one year.

### 1.3.3. Expected result(s) and impact

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

The expected results and impact of the proposed amendments are to simplify sustainability reporting requirements and as a result reduce the administrative burden on companies in this regard, whilst maintaining the objectives of the European Green Deal and the Sustainable Finance Action Plan. The proposed amendments are also expected to result in significant cost savings for companies in scope when carrying out sustainability reporting.

The amendments to Directive (EU) 2024/1760 included in this proposal are expected to ease the compliance burden of companies as they will have more time to prepare for compliance, adjust their policies, processes and procedures, also taking into account the guidelines which the Commission will issue, allowing them to build on best practices and reduce their reliance on legal counselling and advisory services.

#### 1.3.4. *Indicators of performance*

*Specify the indicators for monitoring progress and achievements.*

The CSRD has been applied by a first set of companies who are publishing their first sustainability statements mainly in the first half of 2025. It has therefore not been possible to undertake an ex-post evaluation or fitness check of either piece of legislation.

To monitor progress towards achieving the proposal's specific objectives, the Commission will explore the possibility of organising exchanges with stakeholders in different formats as well as periodic surveys of users of sustainability information and of undertakings that report such information, depending on the availability of financial resources. Article 6 of the CSRD requires the Commission to present a report on the implementation of the Directive by April 2029.

In this proposal, the Commission also commits to revising the first set of ESRS. Under Directive 2013/34/EU, the Commission is required to 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.

The implementation of the CSDDD as amended, and its effectiveness in reaching its objectives, in particular in addressing adverse impacts, will also be subject to regular evaluation according to Article 36 of that Directive.

A number of indicators will be used to monitor the progress of these proposals, such as the effectiveness and timeliness of the actions proposed, the efficiency of processes for collecting and processing data in accordance with the sustainability reporting requirements, and the objective to limit administrative burden and avoid unnecessary or duplicative reporting requirements.

#### 1.4. **The proposal/initiative relates to:**

- a new action
- a new action following a pilot project / preparatory action<sup>26</sup>
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

#### 1.5. **Grounds for the proposal/initiative**

##### 1.5.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

With this proposal, the Commission proposes a Directive amending Directives (EU) 2022/2464 and (EU) 2024/1760. Once the co-legislators will have reached an agreement on the contents of the proposal, Member States will have a certain period of time to transpose the amendments introduced by this Directive with respect to postponing the date as from which certain groups of companies have to apply with these Directives into their national law. Under this proposal, this transposition deadline is set at 31 December 2025. This proposal also seeks to delay the transposition deadline of the Directive (EU) 2024/1760 by one year. As a result,

<sup>26</sup> As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

Member States would be required to transpose the CSDDD by 26 July 2027 at the latest.

In a separate legislative proposal, the Commission proposes to amend a number of provisions of Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760. The Commission also proposes to revise Commission Delegated Regulation (EU) 2023/2772 (European Sustainability Reporting Standards). The Commission will adopt the revised ESRS delegated act in time for those undertakings in the second wave that would be required to start reporting under the CSRD in 2028 for financial year 2027 to apply the revised standards.

To monitor progress towards achieving the proposal's specific objectives, the Commission will explore the possibility of organising exchanges with stakeholders in different formats as well as periodic surveys of users of sustainability information and of undertakings that report such information, depending on the availability of financial resources. Article 6 of the CSRD requires the Commission to present a report on the implementation of the Directive by April 2029. The implementation of the CSDDD as amended, and its effectiveness in reaching its objectives, in particular in addressing adverse impacts, will also be subject to regular evaluation according to Article 36 of that Directive. This proposal does not require an implementation plan.

- 1.5.2. *Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.*

The Accounting Directive, as amended by the CSRD, already regulates the disclosure of sustainability information in the EU. Common rules on sustainability reporting and its assurance ensure a level playing field for companies established in the different Member States. Significant differences in requirements for sustainability reporting and assurance between Member States would create additional costs and complexity for companies operating across borders, which would be detrimental to the single market. Member States acting alone are not able to modify existing EU laws to reduce the burden on companies.

Similarly, the CSDDD already sets out a harmonised regulatory framework for corporate sustainability due diligence, and also covers certain third-country companies active in the EU market, ensuring level playing field in this policy area.

- 1.5.3. *Lessons learned from similar experiences in the past*

N/A

- 1.5.4. *Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

N/A

- 1.5.5. *Assessment of the different available financing options, including scope for redeployment*

N/A

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

#### **3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected**

N/A

### **4. DIGITAL DIMENSIONS**

#### **4.1. Requirements of digital relevance**

The reporting requirements introduced by Directive 2013/34/EU require companies to collect and report data concerning their impacts, risks and opportunities as regards material sustainability matters. This exercise entails significant data identification, collection, processing, verification and publication. In order to collect the relevant data, undertakings often use digital data collection and data sharing platforms. Additionally, in order to store and process the data for the purposes of sustainability reporting companies also often utilise digital data management tools.

Users of sustainability information increasingly expect such information to be accessible, comparable and machine-readable in digital formats. Member States must 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. These requirements also complement the creation of a European single access point (ESAP) for public corporate information.

As regards specific requirements within the Directive which are of digital relevance, please see below.

Directive 2013/34/EU requires undertakings subject to sustainability reporting to prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815 (ESEF Delegated Regulation). It also requires these undertakings to mark up their sustainability reporting, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with the digital taxonomy to be adopted by the Commission by way of an amendment to the ESEF Delegated Regulation.

A digital taxonomy for the Union sustainability reporting standards will allow sustainability reporting to be tagged and to be machine-readable. Until the adoption of this digital taxonomy, undertakings are not required to mark-up their sustainability statements. Considering that the sustainability statement will become machine-readable only once it is both included in an XHTML document and marked-up with a digital taxonomy, pending the adoption of the digital taxonomy undertakings are also

not required to prepare the management report in XHTML.

Stakeholders affected by these requirements include undertakings required to prepare and publish a sustainability statement which has been digitally tagged and provided in an XHTML format, as well as assurance providers who must verify that the sustainability statement meets the necessary requirements.

The current proposal does not modify the existing digital tagging or format rules introduced by the Corporate Sustainability Reporting Directive, which will enhance digital reporting and enable the use of artificial intelligence in utilising the information that undertakings report.

As regards the CSDDD, digital tools and technologies could support and reduce the cost of data gathering and assessment. This proposal does not amend the relevant provisions of the CSDDD.

#### **4.2. Data**

See section above.

#### **4.3. Digital solutions**

See section above.

#### **4.4. Interoperability assessment**

N/A

#### **4.5. Measures to support digital implementation**

To facilitate the smooth implementation of the requirements of digital relevance identified in Section 4.1., the Commission is involved in a number of initiatives.

Firstly, 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. The Commission will adopt a digital taxonomy for the tagging of sustainability information via a Delegated Act, after having received technical advice from ESMA.

Secondly, in the framework of the 2025 Technical Support Instrument round, the Commission intends to launch a flagship multi-country project entitled "Improving Sustainability Reporting for Businesses." This initiative aims to enhance the capacity of Member States to support companies, particularly SMEs, in implementing CSRD and EU Taxonomy reporting requirements. The support under this initiative will take into account the evolution of the reporting requirements, and it will also be relevant for non-listed SMEs that are not subject to mandatory reporting but face growing demands for sustainability information from their financial and value chain partners.

Thirdly, EFRAG has launched an SME forum in which they bring together relevant stakeholders of the SME community to discuss the implementation of the sustainability reporting requirements and how digital solutions and tools can be used to facilitate sustainability reporting for SMEs.

As regards the CSDDD, in order to help companies fulfil their due diligence obligations along their value chain, the Directive encourages the use of digital tools and technologies and requires the Commission to issue guidelines with useful information and references to appropriate resources. This proposal does not amend the relevant provisions.