in wave 2, i.e. issuers that are undertakings with more than 1000 employees on average and with a net turnover exceeding EUR 450 million during the financial year;

- paragraph (2) point (b)(ii) replaces Article 5(2) subparagraph 3, point (b)(ii) of the CSRD specifying which issuers will be subject to consolidated sustainability reporting in wave 2, i.e. issuers that are parent undertakings of groups with more than 1000 employees on average and with a net turnover exceeding EUR 450 million, on a consolidated basis, during the last financial year;
- paragraph (2) point (c) repeals Article 5(2) subparagraph 3, point (c) of the CSRD to reflect the exclusion from the scope of issuers that are SMEs.

Article 4 amends Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive 'CSDDD') as follows:

- The proposal amends Directive (EU) 2024/1760 on 8 main points: extending the scope of maximum harmonisation, targeting due diligence, as a general rule, to direct business partners, removing the duty to terminate the business relationship as a measure of last resort, limiting the notion of 'stakeholder' and further restricting the stages of the due diligence process that require stakeholder engagement, extending the intervals in which companies need to regularly monitor the adequacy and effectiveness of due diligence measures, clarifying the principles regarding pecuniary penalties and removing the 'minimum cap' for fines, removing aspects of the civil liability clause and the rules regarding representative actions, and deleting the review clause regarding financial services.
- As regards maximum harmonisation, the proposed amendments would extend its scope to several additional provisions of the Directive that regulate the core aspects of the due diligence process. This includes in particular the identification duty, the duties to address adverse impacts that have been or should have been identified, and the duty to provide for a complaints and notification mechanism. However, the proposal also recognises that there are legal limits of what can be harmonised fully in a cross-sectoral framework directive dealing with social and environmental protection and which essentially sets out a general process to implement companies' duty of care with regard to adverse impacts linked to business activities. Extending maximum harmonisation beyond this scope would risk undermining human – including labour – rights and environmental standards, both existing or still to be developed, for instance to address emerging risks linked to new products or services, while the practical benefits would be very limited. Where such risks are addressed by Member States, in particular in areas where the Union has limited competences like for instance labour law, they should not be prevented from doing so where they consider this necessary to regulate how the duty of care applies in specific circumstances.
- As regards the chain of activities, it is proposed to limit due diligence measures, as a general rule, to the companies' own operations, those of their subsidiaries and those of their direct business partners. Consequently, when it comes to business relationships, following a mapping of their value chains, companies would be required to carry out an in-depth assessment only at the level of direct business partners. At the same time, the proposal recognises that there can be situations where companies have to look beyond their direct business partner, namely where they have information that suggests an adverse impact at the level of an indirect business partner. This may, for instance, be the case where the structure of the business relationship lacks economic rationale and suggests that it was chosen to remove an otherwise direct supplier with harmful activities from the purview of the company, where the company has received a complaint or is aware of credible NGO or media reports about harmful activities at the level of an indirect supplier or is aware of past incidents involving the supplier, or where the company through its business contacts knows about problems at a certain location (e.g., conflict area). In these cases, companies should be required to further assess the situation. Where the assessment confirms the likelihood or existence of the adverse impact, it should be deemed to have been identified. In addition, a company should seek to ensure that its code of conduct – which is part of its due diligence policy and sets out the expectations as to how to protect human, including labour, rights and the environment in business operations – is followed throughout the chain of activities (contractual cascading). This aligns with the approach taken under the German Supply Chain Act (Lieferkettensorgfaltspflicht-Gesetz) which contains similar rules both as regards the focus on direct suppliers and the ways in which due diligence should go beyond in light of the available information. The company should also take into account SME support measures. Furthermore, it is proposed to further limit the trickle-down effect on SMEs and small midcap companies, by limiting the amount of the information requested as part of the value chain mapping by large companies, unless such information cannot reasonably be obtained in any other way.
- As regards disengagement, the proposed amendments remove the duty to terminate the business relationships. Companies may find themselves in situations where their production heavily relies on inputs from one or several specific suppliers. At the same time, where the business operations of such a supplier are linked to severe adverse impacts, for instance child labour or significant environmental harm, and the company has unsuccessfully exhausted all due diligence measures to address these 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.
- As regards stakeholder engagement, the proposed amendments reduce the scope of the 'stakeholder' notion by simplifying the definition and limiting it to workers and their representatives, and to individuals and communities whose rights or interests are (in case of actual adverse impacts) or could be (in case of potential adverse impacts) "directly" affected by the products, services and operations of the company, its subsidiaries and its business partners. This includes, for instance, individuals or communities in the neighbourhood of plants operated by business partners when they are directly affected by pollution (e.g., an oil spill or harmful emissions), 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. Secondly, the proposed amendments clarify that companies are only required to engage with "relevant" stakeholders, thereby underlining that companies do not have to consult every possible stakeholder group but may limit themselves to those stakeholders that have a link to the specific stage of the due diligence process being carried out (e.g., affected individuals when designing a remediation measure). In addition, the proposed amendments further limit the stages of the due diligence process at which companies are required to engage with stakeholders.
- As regards monitoring, the proposed amendments extend the intervals in which companies need to regularly assess the adequacy and effectiveness of due diligence

measures, from 1 year to five years. This will significantly reduce burdens not just for in-scope companies but also for their business partners, often SMEs, which risk being at the receiving end of (detailed) information requests as part of these monitoring exercises. At the same time, the proposal recognises that business relationships, and the risks and impacts arising from the activities covered by such business relationships, may evolve over time, sometimes even within short timeframes. Also, measures taken to address potential or actual impacts might turn out to be inadequate or ineffective, based on experience gained with implementing them, and indications for this may arise before the date for the next regular assessment. Therefore, the company should carry out ad hoc assessments in these situations.

– As regards the imposition of pecuniary penalties as part of public enforcement, the current text of Article 27 already clarifies that "[i]n deciding whether to impose penalties and, if such penalties are imposed, in determining their nature and appropriate level", due account shall be taken of a series of factors that determine the gravity of the infringement (in particular the nature, gravity and duration of the infringement, and the severity of the impacts resulting from that infringement) and whether there are attenuating (e.g., investments made and any targeted support provided) or aggravating circumstances (e.g., recidivism). In addition, the provision stipulates that any penalties imposed shall be "effective, proportionate and dissuasive". This aligns with similar provisions in other pieces of EU legislation, for instance the General Data Protection Regulation. While the Directive does not require Member States to set a maximum amount of any fines (i.e., a 'cap' or 'ceiling'), it stipulates that, in case Member States nevertheless decide to do so, such a cap "shall be not less than 5 % of the net worldwide turnover of the company". The purpose for introducing this provision was to ensure a level playing field in the Union, by avoiding that Member States set a cap at a level that would undermine the effectiveness and dissuasiveness of any fines imposed on companies under their jurisdiction. However, this provision has led to confusion. In particular, while such a cap says nothing about the actual fines imposed in a specific case, it has sometimes been misunderstood as a minimum fines amount. To clarify the situation, the proposed amendments address the issue of the level playing field differently, namely by tasking the Commission, in collaboration with the Member States, with developing fining guidelines (an instrument that also exists in other areas, e.g., competition law and data protection) and by prohibiting Member States from setting a fines cap that would prevent supervisory authorities from imposing penalties in accordance with the factors and principles set out in Article 27(1) and (2). Furthermore, the proposal deletes the requirement for the fine to be commensurate to the company's turnover.

– With a view to ensuring more legal clarity and alignment of the CSDDD with the sustainability reporting regime, the proposal introduces a modification regarding the requirement to put into effect the transition plan for climate change mitigation. The proposal makes clear that the plan should include implementation actions planned and taken. The adoption of the plan and its initial and updated design remains subject to administrative supervision.

– As regards civil liability, it is proposed to remove the specific, EU-wide liability regime in the Directive. At the same time, in line with the core objective of the Directive to ensure the protection of victims against human rights violations and environmental harm resulting from business operations, the proposed amendments maintain the requirements for effective access to justice, including the right to full compensation in case a company is held liable for a failure to comply with the due diligence requirements under this Directive in accordance with national law (while also protecting companies from over-compensation). In view of the different rules and traditions that exist at national level when it comes to allowing representative action, the specific requirement in this regard in the Directive is deleted. Furthermore, with a view to limiting liability risk, 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 is deleted.

– As regards the review of the Directive, Article 36(1) requires the Commission to submit "no later than 26 July 2026" 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 as well as their impacts. It is proposed to delete this review clause as it does not leave any time to take into account the experience with the newly established, general due diligence framework.

Article 5 requires Member States to transpose this Directive by [*12 months after into force*] at the latest, and to communicate to the Commission the text of their transposing measures.

Article 6 specifies that this Directive enters into force 20 days after its publication in the Official Journal of the European Union.

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements

(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[20],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) In the face of multiple factors, such as the recovery from the COVID-19 pandemic, the energy crisis provoked by the Russian invasion of Ukraine, high inflationary pressures, rising trade tensions as a result of shifts in the geopolitical landscape and increased concern from businesses about the regulatory burden imposed on them from sustainability reporting requirements, Commission President von der Leyen announced in March 2023 the intention to rationalise and reduce administrative burden resulting from reporting requirements.[21]

(2) In the political guidelines for the 2024-2029 term[22], President von der Leyen set out a plan for Europe's sustainable prosperity and competitiveness. Making business easier and deepening the Single Market are among the plan's key dimensions.

(3) The Commission's better regulation agenda[23] supports the competitiveness of European enterprises by aiming to ensure that EU laws deliver on their objectives at a minimum cost. In 2023, the Commission identified the need to rationalize and simplify reporting requirements for enterprises and administrations[24] and committed to reduce administrative burdens by 25%.

(4) In his report on 'The Future of European Competitiveness'[25], Mario Draghi emphasised the need for Europe to boost its competitiveness and resilience and create a regulatory landscape which facilitates this goal. The report noted that reporting requirements for companies should be proportionate to the goal they pursue. It stated that the EU's sustainability reporting and due diligence framework is a major source of regulatory burden and compliance costs, magnified by a lack of guidance to facilitate the application of complex rules and to clarify the interaction between various pieces of legislation. The accumulation of rules over time at different levels, their increased complexity and implementation challenges are having a significant impact on Europe's competitiveness, limiting our economic potential and the prosperity of our people.

(5) In the Budapest Declaration on the New European Competitiveness Deal,[26] the Heads of State and Government of the EU Member States 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". They called on the Commission to make concrete proposals on reducing reporting requirements by at least 25 % in the first half of 2025.

(6) In its Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions entitled 'A Competitiveness Compass for the EU'[27], the Commission confirmed that it would propose a first "Simplification Omnibus package" which would, among others, cover a far-reaching simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy. It would include measures to address the trickle-down effect to prevent smaller companies along the supply chains from being subjected in practice to excessive reporting requests that were never intended by the legislators.

(7) In its Work Programme for 2025,[28] the Commission recalled the intention to come forward with a first Omnibus Simplification Package and noted that the aim is to square the EU's ambition towards a sustainable transition with what companies can feasibly achieve to strengthen competitiveness and economic growth.

(8) In its Communication of 11 February 2025 entitled 'A simpler and faster Europe: Communication on implementation and simplification',[29] the European Commission set out a vision for an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground. This requires more than an incremental approach and the EU must take bold action to achieve this goal. The Commission, the European Parliament, the Council, Member States' authorities at all levels and stakeholders need to work together to streamline and simplify EU, national and regional rules and implement policies more effectively.

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20 OJ C […], […], p. […].

21 [include references]

22 Political guidelines for the next European Commission 2024-2029, Strasbourg 18 July 2024, available at: https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf

23 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Better regulation: Joining forces to make better laws', COM(2021) 219 final, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2021:219:FIN.

24 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Long-term competitiveness of the EU: looking beyond 2030', COM(2023) 168 final, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023DC0168.

25 Available at https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

26 Budapest Declaration on the New European Competitiveness Deal, 8 November 2024.

27 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, available at: https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en.

28 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Commission work programme 2025, Moving forward together: A Bolder, Simpler, Faster Union, COM(2025) 45 final, available at: f80922dd-932d-4c4a-a18c-d800837fbb23_en.

29 A simpler and faster Europe: Communication on implementation and simplification, 2024-2029, available at: 8556fc33-48a3-4a96-94e8-8ecaceflea18_en.

(9) In its communication of 11 December 2019 entitled 'The European Green Deal' (the 'Green Deal'), the European Commission set out an agenda to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases (GHG) by 2050. Regulation (EU) 2021/1119 of the European Parliament and of the Council[30] makes the objective of climate neutrality by 2050 binding in the Union. The Green Deal 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. It also 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.

(10) In its Communication of 8 March 2018 entitled 'Action Plan: Financing Sustainable Growth'[31] (the Sustainable Finance Action Plan), the Commission set out measures to 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.

(11) As part of the European Green Deal and Sustainable Finance Action Plan, the European Parliament and Council adopted Directive (EU) 2022/2464.[32] That Directive modernises and strengthens the rules concerning the sustainability information that undertakings are to report. It introduced new sustainability reporting requirements for certain undertakings by way of amendments to Regulation (EU) No 537/2014 of the European Parliament and of the Council[33], Directive 2004/109/EC of the European Parliament and of the Council[34], Directive 2006/43/EC of the European Parliament and of the Council[35], and Directive 2013/34/EU of the European Parliament and of the Council[36]. These sustainability reporting requirements oblige certain undertakings to publish sustainability information, which must be prepared in accordance with specific sustainability reporting standards and, where applicable, comply with a digital format. This sustainability information is subject to an assurance requirement and must be published together with the related assurance report.

(12) The sustainability reporting requirements introduced by Directive (EU) 2022/2464 apply to undertakings governed by the law of a Member State that are: large undertakings, SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market and parent undertakings of large groups. They also apply to undertakings governed by the law of a third country that have either transferable securities admitted to trading on an EU regulated market (excluding micro-undertakings) or that have business in the territory of the Union above certain thresholds. The date of application of these sustainability reporting requirements varies depending on the specific reporting requirement and on the category of undertaking.

(13) Companies subject to Directive (EU) 2022/2464 must report according to European Sustainability Reporting Standards (ESRS), which are adopted by the Commission as delegated acts taking account of the technical advice of EFRAG.[37] On 31 July 2023, the Commission adopted the first set of ESRS via Commission Delegated Regulation (EU) 2023/2772.[38] These standards include disclosure requirements on environmental, social and governance matters and apply to companies under the scope of Directive (EU) 2022/2464 regardless of which sector they operate in.

(14) On 25 July 2024, Directive (EU) 2024/1760 of the European Parliament and of the Council ('Corporate Sustainability Due Diligence Directive' or 'CSDDD')[39] entered into force. The aim of this Directive is to foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains. These rules aim to ensure that companies in scope identify and address adverse human rights and environmental impacts of their actions inside and outside Europe. This Directive establishes a corporate due diligence duty. The core elements of this duty are identifying and addressing potential and actual adverse human rights and environmental impacts in the company's own operations, their subsidiaries and, where related to their value chain(s), those of their business partners. In addition, the Directive sets out an obligation for large companies to adopt and put into effect, through best efforts, a transition plan for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement as well as intermediate targets under the European Climate Law.

(15) In the context of the Commission's commitment to reduce reporting burdens and enhance competitiveness, it is necessary to amend Directive 2006/43/EC, Directive 2013/34/EU, Directive (EU) 2022/2464 and Directive (EU) 2024/1760 in order to achieve those objectives, whilst maintaining the policy objectives of the European Green Deal, announced in the Communication from the Commission of 11 December

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30 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, ELI: http://data.europa.eu/eli/reg/2021/1119/oj).

31 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.

32 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).

33 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, ELI: http://data.europa.eu/eli/reg/2014/537/oj).

34 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).

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, ELI: http://data.europa.eu/eli/dir/2006/43/oj).

36 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).

37 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.

38 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, (OJ L, 2023/2772, 22.12.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2772/oj).

39 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).

2019[40], and the Sustainable Finance Action Plan, announced in the Communication from the Commission of 8 March 2018[41].

(16) 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. Article 26a(3) of that Directive requires the Commission to adopt those standards 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 areas of sustainability assurance. To enable the Commission to take account of those concerns, it should be given more flexibility in adopting those standards. In any case, the Commission will issue targeted assurance guidelines that clarify the necessary procedures that assurance providers are to perform as part of their limited assurance engagement before adopting the standards by delegated act.

(17) Article 26a(3), second subparagraph, of Directive 2006/43/EC empowers the Commission to adopt standards for reasonable assurance by 1 October 2028, following an assessment of feasibility. To avoid an increase in costs of assurance for undertakings, the requirement to adopt such standards for reasonable assurance should be deleted.

(18) Article 19a(1) of Directive 2013/34/EU requires large undertakings and small and medium-sized undertakings with securities admitted to trading on an EU regulated market, excluding micro-undertakings, to prepare and publish a sustainability statement at individual level. To reduce the reporting burden on undertakings, and to promote closer alignment with the criteria for undertakings to be in the scope of Directive (EU) 2024/1760, the obligation to prepare and publish a sustainability statement at individual level should be reduced to undertakings with an average of more than 1000 employees and a net turnover exceeding EUR 450 000 000 during the financial year.

(19) Article 1(3) of Directive 2013/34/EU specifies that credit institutions and insurance undertakings that are large undertakings or small and medium-size undertakings – excluding micro-undertakings – with securities admitted to trading on an EU regulated market are subject to the sustainability reporting requirements set out in Directive 2013/34/EU, regardless of their legal form. Considering that the scope of individual sustainability reporting should be reduced to undertakings with an average of more than 1000 employees and a net turnover exceeding EUR 450 000 000 during the financial year, that reduction in scope should also apply to credit institutions and insurance undertakings.

(20) The European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement is subject to the sustainability reporting requirements set out in Directive 2013/34/EU, although it is exempted from the sustainability reporting regime set out in Directive 2004/109/EC pursuant to Article 8 of that Directive. Despite it being a large undertaking incorporated in a legal form listed in Annex I to Directive 2013/34/EU, the EFSF has a mandate - i.e. to safeguard financial stability in the Union by providing temporary financial assistance to Member States whose currency is the euro – that is largely similar to the one of the European Stability Mechanism (ESM), which is not subject to sustainability reporting requirements. For the EFSF to benefit from the same treatment as the ESM as regards sustainability reporting, and for consistency with the exemption regime provided by Directive 2004/109/EC, the EFSF should be exempted from the regime on sustainability reporting provided by Directive 2013/34/EU.

(21) Article 19a(3) of Directive 2013/34/EU requires undertakings to report information about the undertaking's own operations and about its value chain. To reduce the reporting burden for undertakings in the value chain that are not required to report on their sustainability, the reporting undertaking - for the purposes of reporting sustainability information, at individual or at consolidated level, as required by Directive 2013/34/EU, and without prejudice to Union requirements to conduct a due diligence process - should not seek to obtain from undertakings in its value chain that are not required to report on their sustainability information beyond the information specified in the standards for voluntary use by undertakings that are not required to report on their sustainability. The reporting undertaking should be allowed to collect from the undertakings in its value chain any additional sustainability information that is commonly shared between undertakings in the sector concerned. Undertakings reporting on their value chain in accordance with that requirement should be deemed to comply with the obligation to report on their sustainability. Assurance providers should prepare their assurance opinion respecting the obligation on undertakings not to seek to obtain from undertakings in their value chain that are not required to report on their sustainability information beyond the information specified in the standards for voluntary use by undertakings that are not required to report on their sustainability. For that purpose, the Commission should be empowered to adopt a delegated act to provide for sustainability reporting standards for voluntary use by undertakings that are not required to report on their sustainability. Those standards should be proportionate to, and relevant for, the capacities and the characteristics of those undertakings and to the scale and complexity of their activities. Those standards should also specify, where possible, the structure to be used to present that information.

(22) Article 29c(1) of Directive 2013/34/EU allows small and medium-sized undertakings with securities admitted to trading on an EU regulated market, small and non-complex institutions and captive re(insurance) undertakings, to report sustainability information in accordance with the limited set of standards to be adopted by the Commission. Considering that small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be excluded from sustainability reporting, the empowerment for the Commission to adopt delegated acts to provide for sustainability reporting standards for those small and medium-sized undertakings should be deleted.

(23) Article 19a(7) of Directive 2013/34/EU allows small and medium-sized undertakings with securities admitted to trading on an EU regulated market to opt out from sustainability reporting for the first two years of application of those requirements. Considering that small and medium-sized undertakings should be excluded from the sustainability reporting, the provision allowing for the two-year opt out should be deleted.

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40 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.

41 Communication from the Commission to the European Parliament, the European Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions of 8 March 2018, 'Action Plan: Financing Sustainable Growth', COM/2018/097 final.

(24) Article 29a(1) of Directive 2013/34/EU requires parent undertakings of large groups to prepare and publish a sustainability statement at consolidated level. To reduce the reporting burden on those parent undertakings, and to promote closer alignment with the criteria for undertakings to be in the scope of Directive (EU) 2024/1760, the scope of that obligation should be reduced to parent undertakings of groups with an average of more than 1000 employees, on a consolidated basis, and a net turnover exceeding EUR 450 000 000 during the financial year.

(25) Article 29b(1), third subparagraph, Directive 2013/34/EU empowers the Commission to adopt sector-specific reporting standards by way of delegated acts, with a first set of such standards to be adopted by 30 June 2026. To avoid an increase in the number of prescribed datapoints that undertakings should report, that empowerment should be deleted.

(26) Article 29b(4) of Directive 2013/34/EU requires sustainability reporting standards to not specify disclosures requiring undertakings to obtain from small and medium-sized undertakings in their value chain informatio beyond the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings with securities admitted to trading on an EU regulated market. Considering that small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be excluded from sustainability reporting, 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 requiring undertakings to obtain from undertakings in their value chain that are not required to report on their sustainability information 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.

(27) Pursuant to Article 40a(1), fourth and fifth subparagraph of Directive 2013/34/EU, a subsidiary in the Union of a third-county undertaking that generates a net turnover of more than EUR 150 million in the Union, or, in the absence of such subsidiary, a branch in the Union that generates a net turnover of more than EUR 40 million, is to publish and make accessible sustainability information at the group level of the third-country parent undertaking. Considering that the scope of individual sustainability reporting should be reduced to undertakings with an average of more than 1000 employees and a net turnover exceeding EUR 450 000 000 during the financial year, the size for a subsidiary undertaking to be in scope of Article 40a should be modified to reflect that reduction. For reasons of consistency, the net turnover criteria for the Union branch to be in scope of Article 40a(1), fourth subparagraph, of Directive 2013/34/EU, should be raised from EUR 40 000 000 to EUR 450 000 000. For reasons of consistency, and to promote closer alignment with the criteria for undertakings to be in the scope of Directive (EU) 2024/1760, the net turnover threshold for the third-country undertaking should also be raised from EUR 150 000 000 to EUR 450 000 000.

(28) 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 the scope of the individual sustainability reporting requirements should be reduced to include only undertakings with more than 1000 employees on average and a net turnover exceeding EUR 450 000 000 on their balance sheet dates during the financial year, and that the scope of the consolidated sustainability reporting requirements should be reduced accordingly, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be deleted.

(29) 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 the scope of the individual sustainability reporting requirements should be reduced to include only undertakings with more than 1000 employees on average on their balance sheet dates and with a net turnover exceeding EUR 450 000 000 during the financial year, and that the scope of the consolidated sustainability reporting requirements should be reduced accordingly, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings should be deleted.

(30) Article 4(1) of Directive (EU) 2024/1760 prohibits Member States from introducing, in their national law, provisions within the field covered by the Directive laying down human rights and environmental due diligence obligations diverging from those laid down in Article 8(1) and (2), Article 10(1). With a view to ensure that Member States do not go beyond the Directive and create a fragmented regulatory landscape resulting in legal uncertainty and unnecessary burden, the full harmonisation provisions of the CSDDD should be expanded to additional provisions regulating the core aspects of the due diligence process. This includes, in particular, the identification duty, the duties to address adverse impacts that have been or should have been identified, and the duties to engage with stakeholders in certain cases and to provide for a complaints and notification mechanism. At the same time, Member States should be allowed to introduce more stringent or more specific provisions on other aspects, including to address emerging risks linked to new products or services.

(31) Article 5 of Directive (EU) 2024/1760 obliges member states to ensure that companies conduct risk-based human rights and environmental due diligence. To reduce burdens on large companies in the scope of the Directive, the due diligence measures should, as a general rule, be limited to the company's own operations, those of its subsidiaries and those of its direct business partners ('tier 1'). Consequently, when it comes to business relationships, following a mapping of their chain of activities, companies should be required to carry out in-depth assessments as regards direct business partners only. Companies should, however, look beyond their direct business relationships where they have plausible information that suggests an adverse impact at the level of an indirect business partner. This may be the case where the company has received a complaint or is in the possession of information, for example through credible media or NGO reports, past incidents, or through recurring problems in its sector or at certain locations (conflict areas, etc) about likely or actual harmful activities at the level of an indirect supplier. Where the company has such information, it should carry out an in-depth assessment. Where the assessment confirms the likelihood or existence of the adverse impact, it should then be deemed to be identified. In addition, companies should seek to ensure that their code of conduct – which is part of their due diligence policy and sets out the expectations as to how to protect human, including labour, rights and the environment in business operations – is followed throughout the chain of activities in accordance with contractual cascading and SME support.

With the view to limiting trickle-down effect on SMEs and SMCs when it comes to mapping the value chain for the purposes of identifying adverse impacts, large companies should limit information requests to the information specified in the standards for voluntary use referred to in Article 29a of Directive (EU) 2013/34/EU, unless they need additional information to carry out the mapping and they cannot obtain that information in any other reasonable way.

(32) Companies may find themselves in situations where their production heavily relies on inputs from one or several specific suppliers. At the same time, 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 these 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.

(33) With a view to reduce burden and make stakeholder engagement more proportionate, companies should only have 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 when 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 (enhanced) action plans and when designing remediation measures.

(34) To reduce administrative burden on companies, the Commission's deadline for the adoption of general due diligence guidelines should be advanced to 26 July 2026. In parallel, the application deadline for the CSDDD for the first group of companies is to be deferred to 26 July 2028 in in accordance with Directive EU XXX/XXX. That two years interval will provide companies with sufficient time to take into account the best practice guidance when implementing due diligence measures.

(35) With a view to ensure better alignment of Directive (EU) 2024/1760 with the sustainability reporting regime, the requirement to put into effect the transition plan for climate change mitigation should be replaced by a clarification that the obligation of companies to adopt a transition plan includes outlining implementing actions, planned and taken. The obligation to adopt the plan and its initial and updated design remains subject to administrative supervision.

(36) Article 27(1) of Directive EU 2024/1760 requires Member States to lay down penalties that should be "effective, proportionate and dissuasive". Article 27(2) of that directive requires Member States, when deciding whether to impose penalties and, if so, when determining their nature and appropriate level, to take due account of a series of factors that determine the gravity of the infringement and attenuating or aggravating circumstances. Article 27(4) of that Directive requires Member States to base any imposed pecuniary penalties on the net worldwide turnover of the company concerned. However, given the fact that Member States already have to take into account the series of factors laid down in Article 27(2) of that directive, the need to base pecuniary penalties on the net worldwide turnover of the company concerned is superfluous. However, to ensure a level playing field across the Union, Member States should be prohibited from introducing in their national law a ceiling or cap for any pecuniary penalties imposed on companies under their jurisdiction that would prevent supervisory authorities from imposing penalties in accordance with the factors laid down in Article 27(2). Moreover, to harmonise 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.

(37) To limit possible litigation risks linked to the harmonised civil liability regime of Directive (EU) 2024/1760, the specific, Union-wide liability regime currently provided for in Article 29(1) of that Directive should be removed. At the same time, as a matter of both international 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 EU Charter of Fundamental Rights. Member States should therefore ensure that, in case a company is held liable for a failure to comply with the due diligence requirements laid down in Directive (EU) 2024/1760, and that such failure caused damage, victims are able to receive full compensation, which should be granted in accordance with the principles of effectiveness and equivalence, while balancing this through safeguards against overcompensation. 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 in Directive (EU) 2024/1760 should be deleted. Furthermore, with a view to limit liability risk, 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 is deleted.

(38) Article 36(1) of Directive (EU) 2024/1760 requires the Commission to submit by no later than 26 July 2026 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 that review clause does not leave any time to take into account the experience with the newly established, general due diligence framework, it should be deleted.

(39) 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.

(40) Directive 2006/43/EC, Directive 2013/34/EU, Directive (EU) 2022/2464 and Directive (EU) 2024/1760 should therefore be amended accordingly,

Article 3

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) point (a) is deleted;

b) point (b) is amended as follows:

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

'(i) to undertakings with more than 1000 employees on average on their balance sheet dates and with a net turnover exceeding EUR 450 000 000 during the financial year;';

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

'(ii) to parent undertakings of a group with more than 1000 employees on average on its balance sheet dates, and with a net turnover exceeding EUR 450 000 000 on a consolidated basis during the financial year;';

c) point (c) is deleted;

(2) The third subparagraph is amended as follows:

a) point (a) is deleted;

b) point (b) is amended as follows:

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

'(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 with more than 1000 employees on average on their balance sheet dates and with a net turnover exceeding EUR 450 000 000 during the financial year;';

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

'(ii) to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are parent undertakings of a group with more than 1000 employees on average on its balance sheet dates and with a net turnover exceeding EUR 450 000 000 on a consolidated basis during the financial year;';

c) point (c) is deleted.

Article 4

Amendments to Directive (EU) 2024/1760

Directive (EU) 2024/1760 is amended as follows:

(1) In Article 3(1), point (n) is replaced by the following:

'(n) 'stakeholders' means the company's employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers' representatives, and individuals or 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 the legitimate representatives of those individuals or communities;'

(2) Article 4 is replaced by the following:

'Article 4

Level of harmonisation

1. Without prejudice to Article 1(2) and (3), Member States shall not introduce, in their national law, provisions within the field covered by this Directive laying down human rights and environmental due diligence obligations diverging from those laid down in Article 6, 8, Article 10(1) to (5), Article 11(1) to (6) and Article 14.

2. Notwithstanding paragraph 1, this Directive shall not preclude Member States from introducing, in their national law, more stringent provisions diverging from those laid down in provisions other than Article 6, 8, Article 10(1) to (5), Article 11(1) to (6) and Article 14, or provisions that are more specific in terms of the objective or the field covered, including by regulating specific products, services or situations, in order to achieve a different level of protection of human, employment and social rights, the environment or the climate.'

(3) Article 8 is amended as follows:

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

'(b) based on the results of the mapping as referred to in point (a), carry out and in-depth assessment of their own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners, in the areas where adverse impacts were identified to be most likely to occur and most severe.';

b) the following paragraph 2a is inserted:

'2a. Where a company has plausible information that suggests that adverse impacts at the level of the operations of an indirect business partner have arisen or may arise, it shall carry out an in-depth assessment. The company shall always carry out such an assessment where the indirect, rather than direct, nature of the relationship with the business partner is the result of an artificial arrangement that does not reflect economic reality but points to a circumvention of paragraph 2, point (b). Where the assessment confirms the likelihood or existence of the adverse impact, it is deemed to have been identified.

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

Notwithstanding the first subparagraph, irrespective of whether plausible information is available about indirect business partners, the company shall seek contractual assurances from a direct business partner that it

will ensure compliance with the company's code of conduct by establishing corresponding contractual assurances from its business partners. Article 10(2), point (b) and (e) shall apply accordingly.';

c) paragraph 4 is replaced by the following:

'4. Where information necessary for the in-depth assessment provided for in paragraph 2, point (b), and in paragraph 2a can be obtained from different business partners, the company shall prioritise requesting such information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur.';

d) The following paragraph 5 is inserted:

'5. Member States shall ensure that, for the purposes of the mapping provided for in paragraph 2, point (a), companies do not seek to obtain information from direct business partners with fewer than 500 employees that exceeds the information specified in the standards for voluntary use referred to in Article 29a of Directive 2013/34/EU.

By way of derogation to the foregoing sub-paragraph, where additional information is necessary for the purposes of the mapping provided for in paragraph 2, point (a), in light of indications of likely adverse impacts or because the standards do not cover relevant impacts, and cannot reasonably be obtained by other means, the company may seek such information from that business partner.';

(4) In Article 10, paragraph 6 is replaced by the following:

'6. As regards potential adverse impacts as referred to in paragraph 1 that could not be prevented or adequately mitigated by the measures set out in paragraphs 2, 4 and 5, the company shall, as a last resort, refrain from entering into new or extending existing relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen and shall, where the law governing their relations so entitles them, adopt and implement without undue delay an enhanced prevention action plan for the specific adverse impact, provided that there is a reasonable expectation that those efforts will succeed, and use or increase the company's leverage through the suspension of the business relationship with respect to the activities concerned. As long as there is a reasonable expectation that the enhanced prevention action plan will succeed, the mere fact of continuing to engage with the business partner shall not trigger the company's liability.

Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the company shall not be required to suspend the business relationship and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.

Member States shall provide for an option to suspend the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.

Where the company decides to suspend the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.

Where the company decides not to suspend the business relationship pursuant to this Article, it shall monitor the potential adverse impact and periodically assess its decision and whether further appropriate measures are available.';

(5) In Article 11, paragraph 7 is replaced by the following:

'7. As regards potential adverse impacts as referred to in paragraph 1 that could not be prevented or adequately mitigated by the measures set out in paragraphs 3, 5 and 6, the company shall, as a last resort, refrain from entering into new or extending existing relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen and shall, where the law governing their relations so entitles them, adopt and implement without undue delay an enhanced prevention action plan for the specific adverse impact, provided that there is a reasonable expectation that those efforts will succeed, and use or increase the company's leverage through the suspension of the business relationship with respect to the activities concerned. As long as there is a reasonable expectation that the enhanced prevention action plan will succeed, the mere fact of continuing to engage with the business partner shall not trigger the company's liability.

Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the company shall not be required to suspend the business relationship and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.

Member States shall provide for an option to suspend the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.

Where the company decides to suspend the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.

Where the company decides not to suspend the business relationship pursuant to this Article, it shall monitor the potential adverse impact and periodically assess its decision and whether further appropriate measures are available.';

(6) In Article 13, paragraph 3 is amended as follows:

a) the introductory wording is replaced by the following:

'Consultation of relevant stakeholders shall take place at the following stages of the due diligence process:';

b) points (c) and (e) are deleted;

(7) In Article 15, the second sentence is replaced by the following:

'Such assessments shall be based, where appropriate, on qualitative and quantitative indicators and be carried out without undue delay after a significant change occurs, but at least every 5 years and whenever there are reasonable grounds to believe that the measures are no longer adequate or effective or that new risks of the occurrence of those adverse impacts may arise.';

(8) in Article 19, paragraph 3 is replaced by the following:

'3. The guidelines referred to in paragraph 2, point (a), shall be made available by 26 July 2026, those referred to in paragraph 2, points (d) and (e), by 26 January 2027, and those referred to in paragraph 2, points (b), (f) and (g), by 26 July 2027.';

(9) in Article 22(1), the first subparagraph is replaced by the following:

'Member States shall ensure that companies referred to in Article 2(1), points (a), (b) and (c), and Article 2(2), points (a), (b) and (c), adopt a transition plan for climate change mitigation, including implementing actions, which aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119, including its intermediate and 2050 climate neutrality targets, and where relevant, the exposure of the company to coal-, oil- and gas-related activities.';

(10) in Article 27, paragraph 4 is replaced by the following:

'4. The Commission, in collaboration with Member States, shall issue guidance to assist supervisory authorities in determining the level of penalties in accordance with this Article. Member States shall not set a maximum limit of pecuniary penalties in their national law transposing this Directive that would prevent supervisory authorities from imposing penalties in accordance with the principles and factors set out in paragraphs 1 and 2.';

(11) Article 29 is amended as follows:

a) paragraph 1 is deleted;

b) paragraph 2 is replaced by the following:

'2. Where a company is held liable pursuant to national law for damage caused to a natural or legal person by a failure to comply with the due diligence requirements under this Directive, Member States shall ensure that those persons have a right to full compensation. Full compensation shall not lead to overcompensation, whether by means of punitive, multiple or other types of damages.';

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

'national rules on the beginning, duration, suspension or interruption of limitation periods do not unduly hamper the bringing of actions for damages';

d) paragraph 3, point (a), second subparagraph is replaced by the following:

'the limitation period for bringing actions for damages resulting from a failure to comply with the due diligence requirements under this Directive shall be at least five years';

e) paragraph 3, point (d) is deleted;

f) paragraph 4 is replaced by the following:

'4. Companies that have participated in industry or multi-stakeholder initiatives, or used independent third-party verification or contractual clauses to support the implementation of due diligence obligations may nevertheless be held liable in accordance with national law.';

g) paragraph 5, first subparagraph is replaced by the following:

'The civil liability of a company for damages as referred to in this Article shall be without prejudice to the civil liability of its subsidiaries or of any direct and indirect business partners in the chain of activities of the company.';

h) paragraph 7 is deleted.

(12) In Article 36, paragraph 1 is deleted.

Article 5

Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by [*12 months after entry into force*] 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 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.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*