

**DEVE OPINION
ON**

**THE PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
AMENDING DIRECTIVE 2013/34/EU, DIRECTIVE 2004/109/EC, DIRECTIVE 2006/43/EC AND
REGULATION (EU) NO 537/2014, AS REGARDS CORPORATE SUSTAINABILITY REPORTING.**

Rapporteur: Pierfrancesco Majorino

**COMPROMISE AMENDMENTS
21.02.2022**

COMPROMISE 1

Proposal for a directive

Article 1 – paragraph 1 – point 1

Directive 2013/34/EU

Article 21– paragraph 3. introductory part

AM 188 (Renew) AM 189 (Left)

3. The coordination measures prescribed by Articles 19a, 19d, 29a, 30 and 33, Article 34(1), second subparagraph, point (aa), paragraphs 2 and 3 of Article 34, and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings, ***provided that they meet the criteria laid down in Article 19a(1)***, regardless of their legal form:

COMPROMISE 2

Proposal for a directive

Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 2 – point 17

AM 25, 26, 27, 28 (S&D), AM 193, 196, 201, 202 (Renew), AM 194 (EPP), 197, 199, 203 (Greens), 198, 200, 204 (Left)

(2) in Article 2, the following points (17) to (20) are added:

17) “sustainability matters’ means sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council⁴, ***namely respect for environmental, social and employee issues, human rights, the respect for the rule of law and good governance systems of the country, region or territory where the undertaking or its supply chain operates*** and governance factors.

(18) ‘sustainability reporting’ means reporting information related to sustainability matters in accordance with Articles 19a, 19d and 29a of this Directive;

(19) 'intangibles' means non-physical resources that contribute to the undertaking's value creation *such as the intellectual, human, and social and relationship capital*;

(20)a 'high-risk economic activity sector' means a sector of economic activity that is particularly exposed to sustainability risks or is likely to have actual or potential severe impacts on the environment, human rights and the rule of law and good governance systems of countries, regions and territories where the undertaking or its supply chains operate and defined by the Commission with delegated acts.

(20)b 'high-risk undertaking' means an undertaking active in one or more of the high- risk economic activity sectors defined by the Commission with delegated acts ;

(20)c 'sustainability strategy' means the undertaking's plans of action to achieve long term SDGs and targets in line with the UN 2030 Agenda, the Paris Agreement and other relevant international commitments, as well as Union policies and legislation. It includes corporate due diligence processes aimed at identifying and managing the potential or actual adverse risks and impacts linked to sustainability matters.

(20)d 'targets' means measurable, specific, time-bound and, when applicable, science-based indicators

(20)e 'Specific science-based measurable targets' means indicators which take into account the UN programme 'Transforming our world: the 2030 Agenda for Sustainable Development', reports and analyses of the Organisation for Economic Cooperation and Development (OECD) on the Sustainable Development Goals and the EU's 'Europe 2020 strategy'.

(20)f 'Severe impacts' are adverse impacts on people, their fundamental human rights and the environment and on the rule of law and governance systems of the country, region or territory where the undertaking or its supply and value chain operate connected to the undertaking's value chain by its own operations, its products and services, its business relationships, its subsidiaries, and its supply chain, based on the gravity of the impact on the sustainability matter, the number of individuals that are or could be affected, or the scale of the damage to the environment; the ease with which the harm could be remediated, restoring the environment or affected people to their prior state; and which cause the greatest harm relative to other impacts the undertaking has identified.

COMPROMISE 3

Article 1-paragraph1.point 3.

-Article 19a-paragraph1

AM 29, 30 (S&D), AM 205 (Renew), AM 206 (EPP), AM 207 (Left)

1. Large undertakings, *public-interest entities and all undertakings referred to in Article 3(7) which are governed by the law of a third country and are not established in the territory of the Union when they operate in the internal market selling goods or providing services under the arrangements set out in Article 19b(1), those entities registered as foundations, partnerships or similar structures fulfilling the criteria for undertaking* and, as of 1 January

2026, small and medium-sized undertakings which are undertakings referred to in Article 2, point (1), point (a), **and small and medium sized undertakings referred to in Article 3(2) and (3) which operate in one or more of the high-risk economic activity sectors defined by the Commission by means of delegated act** shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position and that of its **supply and value chain**.

COMPROMISE 4

Article 1-paragraph 1. point 3.

-Article 19a-paragraph 2-subparagraph 1. point 1 a-

AMs 31, 32, 33, 34, 35, 36 (S&D), 208, 210, 211, 222 (EPP), AM 209, 212, 216, 219, 221 (Renew) 213, 214, 217, 220 (Left)

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

(a) a brief description of the undertaking's business model and strategy **and its implementation**, including:

(i)a a description of the adverse impacts on and risks for sustainability matters identified by the undertaking, and in particular, those that are likely to take place in their supply and value chains, including in developing countries. Transparency shall be required with respect to products, services and assets generated;

(i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters **and climate change**;

(ii) the opportunities **and risks** for the undertaking related to sustainability matters **and the transition to a carbon neutral economy**;

(iii) the plans of the undertaking to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement;

(iii)a how the business model and strategies contribute to the implementation of the UN 2030 Agenda for Sustainable development in the developing countries where the undertaking or its supply and value chains operate;

(iii)b the plans of the undertaking to ensure that its business model and strategy respect workers' rights and potentially affected communities;

(iv) how the undertaking's business model and strategy take account of the interests **and needs** of the undertaking's stakeholders, and **risk management and** of the **principal actual or potential adverse** impacts of the undertaking on sustainability matters **and climate change along the entire supply and value chain**;

(v) how the undertaking's **sustainability** strategy has been implemented **and the results achieved** with regard to sustainability matters and **climate change and related targets**, in connection with **principal risks, opportunities and severe impacts**.

COMPROMISE 5

Article 1-paragraph1.point 3.

-Article 19a-paragraph 2-subparagraph 1. point b

AMs 37 (S&D), AM 223 (Greens); AM 224 (Renew), AM 225, 226(Left);

(b) a description of the **time-bound, short, medium and long-term** targets related to sustainability matters set by the undertaking **to address risks, opportunities and impacts of its activities whether such targets are science-based alongside corresponding evidence**, and of the progress the undertaking has made towards achieving those targets **including:**

(i) a clearly defined path to reach the targets and corresponding timeframes

(ii) the methods, main data and rationale used in setting these targets which must uphold the principle of 'do no significant harm' within the meaning of Article 17 of Regulation(EU) 2020/852;

(iii) targets to be reviewed by independent scientific reviewers, and made available to the general public including information on how and to what extent the undertaking is aligned with the broader strategy that qualify as 'environmentally sustainable' pursuant to Regulation (EU) 2020/852;

(iv) where relevant an analysis of the lack of progress in relation to those targets and the reasons explaining the impossibility or failure to reach intermediary and final targets;

vi) The actions to be taken to successfully achieve those targets including corrective measures and a description of the investments, actions and policies adopted.

COMPROMISE 6

Article 1-paragraph1.point 3.

-Article 19a-paragraph 2-subparagraph 1. point c

AMs 38 (S&D), AM 227 (Greens); AM 228 (Left), AM 229 (Renew);

(c) a description of the role **and the composition** of the administrative, management and supervisory bodies with regard to sustainability matters, **including:**

(i) the extent to which these bodies shall take into consideration sustainability matters and, where appropriate, the resources at their disposal in order to do so;

(ii) the consistency of the remuneration schemes of their members with the company's sustainability strategy;

(iii) engagements in the due diligence process implemented with regard to sustainability matters and on adverse effects as well as the involvement and exchanges with the different stakeholders affected by the identified impacts;

(iv) engagements in the analysis of risks and opportunities for the undertaking with regard to sustainability matters;

(v) the process set up to oversee the implementation of the undertaking's strategy related to sustainability matters;

(vi) expertise on sustainability matters of the members of the administrative, management and supervisory bodies and consultation of external experts;

(vi) the matters addressed by these bodies during the reporting period;

COMPROMISE 7

Article 1-paragraph 1. point 3.

-Article 19a-paragraph 2-subparagraph 1. point e, f and g

AM 39, 40, 41, 42 (S&D), AM 236 (Greens), AM 232, 237 (Renew), AM 233, 238, 239, 241 (Left)
AM 243 (EPP)

(e) a description of:

(i) the due diligence process implemented with regard to sustainability matters in particular regarding human rights, social rights, rule of law and good governance systems and environmental due diligence along the entire supply and value chain, the Charter of Fundamental Rights of the European Union and the international and regional human rights conventions, guidelines and standards such as the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO fundamental conventions.

The reporting requirements as regards due diligence should be based upon the upcoming legislation on corporate due diligence.

The description of the corporate due diligence process shall include as a minimum the following information:

- identification, assessment and prioritisation of actual and potential adverse impacts,*
- prevention, mitigation and cessation of such impacts,*
- tracking implementation and their results,*
- identification and engagement of the adversely affected people, and*

- alert mechanisms and how complaints and grievances are received and managed.

(ii) the actual or potential adverse impacts connected with the undertaking's **supply and value chain, in particular as identified through the due diligence process**, including its own operations, its products and services, its business relationships and its supply chain, **including with regard to:**

- all people affected by those impacts with particular attention to persons who frequently face discrimination or are in a vulnerable situation, such as women, children, minorities, indigenous people, persons experiencing poverty or social exclusion, LGBTIQ persons, persons with disabilities;

- the negative or positive effect of the undertaking's business policies, practices and decisions on the identified issues, including of the undertaking's purchasing policies and practices;

(iii) any actions taken, and the result of such actions, to **identify, assess**, prevent, mitigate, **cease, monitor, communicate, account for, address and** remediate actual or potential adverse impacts;

(f) a description of the risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks;

(g) indicators, **including those relating to performance, impact and results**, relevant to the disclosures referred to in points (a) to (f), **provided by the Commission by means of an delegated act.**

Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship capital.

Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 and in this process, they shall take account of short, medium and long-term horizons.

COMPROMISE 8

Article 1-paragraph 1. point 3.

-Article 19a-paragraph 3

AM 43, 44, 45 (S&D); AM 248 (Left), AM 249 (Greens), AM 250 (Renew)

3. The information referred to in paragraphs 1 and 2 shall contain forward-looking and retrospective information, and qualitative and quantitative information. **It shall be clear, accessible, accurate, concise, and reliable.**

The information referred to in paragraphs 1 and 2 shall contain **all** information about the undertaking's value chain, including the undertaking's own operations, **workforce,**

investments, assets, products and services, its business relationships and its supply chain , in particular in high-risk economic activity sectors that is useful in order to understand the impacts and risks related to sustainability matters for the undertaking.

COMPROMISE 9

Article 1-paragraph 1. point 3.

-Article 19a-paragraph 6 a (new)

AM 47 (S&D); 192, 412 (Greens), AM 256 (Renew) 268 (Left)

The Commission shall be empowered to adopt delegated acts in accordance with Article 49 to establish and update a list of high-risk economic activity sectors set out in Article 19a. In defining that list the Commission shall take into account the work of the Platform on Sustainable Finance established in accordance with Article 20 of Regulation (EU) 2020/852 and the OECD Due Diligence Guidance for Responsible Business Conduct, including for mining, extractive industries, agriculture, clothing and footwear, finance and international shipping, as well as other relevant UN bodies' guidance on specific sectors. The list of sectors shall take account of the need to be consistent with the NACE classification.

COMPROMISE 10

Article 1-paragraph 1. point 3.

-Article 19a- paragraph 7.

AM 48 (S&D), AM 257, 261, 264, 267 (Renew), AM 258, 260, 262, 263, 265, 266(Left)

7.

The consolidated management report of the parent undertaking shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the undertaking **which meets the requirements referred to** paragraphs 1 to 4 is governed.

The Member State **where** the undertaking **which meets the requirements referred to** in paragraphs 1 to 4 is governed, may require that the consolidated management report **of a parent undertaking** referred is published in an official language of the Member State or in a language customary in the sphere of international-

The management report of **a subsidiary of a parent** undertaking **subjected to** the obligations set out in paragraphs 1 to 4 shall contain the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and 29a, or in a manner that may be considered equivalent, in accordance with the implementing measures adopted pursuant to Article 23(4), point (i) of Directive 2004/109/EC, to the manner required by the sustainability reporting standards referred to in Article 19b;

COMPROMISE 11

Article 1-paragraph1.point 3.

Article 19.b. paragraph 1

AM 49 (S&D); 270, 271, 272, 273, 283 (EPP); AM, 274, 275, 281 (Left); 276, 278, 279, 280282(Renew)

1. The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, shall specify the structure, **format and calculation** in which that information shall be reported. In particular:

(a) **within one year and a half of the entry into force of this Directive** the Commission shall adopt delegated acts specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.

(b) **within two years of the entry into force of this Directive** the Commission shall adopt delegated acts specifying:

(i) complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), **in a precise and accessible form;**

(i)a key targets against which all undertakings must report on sustainability matters;

ii) information that undertakings shall report that is specific to the sector in which they operate. **Standards for undertakings operating in high risks sectors shall be developed as a priority;**

(ii)a the specific measurable objectives based on scientific evidence set out in Article 2, point (20b);

(ii)b the criteria and implementing information rules for sustainability reporting for small and medium-sized undertakings referred to in Article 19(a)1;

(ii)c the criteria and implementing rules for sustainability reporting for undertakings referred to in Article 3(7), which are governed by the law of a third country and are not established in the territory of the Union when they operate in the internal market selling goods or providing services;

The Commission shall, at least every **five** years after its date of application, review any delegated act adopted pursuant to this Article taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG) **provided that such advice has**

been developed by an independent way while *ensuring the meaningful participation of all relevant stakeholders in the process* . Where necessary, *the European Commission* shall amend such delegated act to take into account relevant developments, including developments with regard to international standards. *In addition, the Commission shall carry out a one-off review of the aforementioned delegated acts following the adoption of the upcoming legislation on corporate due diligence.*

COMPROMISE 12

Article 1-paragraph 1. point 3.

Article 19.b. paragraph 2. subparagraph 1 - point a)

AM 50 (S&D) ; AM 284, 287, 288, 289, 290, 292, 294, 296, 298, 300, 302, 303(Left); 295 (Greens)

The sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, **concise, accessible, accurate**, relevant, representative, verifiable, **reliable**, comparable, and is represented in a faithful manner. **When applicable, the information shall be science-based and measurable.**

The sustainable reporting standards referred to in paragraph 1 shall require undertakings to disclose all contextual information that is necessary to understand the information reported

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

(a) specify the information that undertakings are to disclose about environmental factors, including information about:

(i) climate change mitigation **including reduction of greenhouse gas emissions and substantiated explanation on the alignment of the undertaking's business model and strategy with the goal of limiting of global warming to 1.5 °C;**

(ii) climate change adaptation, **including identification of risks under different climate scenarios, targets and detailed transition plans to address these risks;**

(iii) the sustainable use and protection of water, **soil, land** and marine resources, **including information on the changes in quality or quantity of those resources and the fair access to those resources by other users and local stakeholders;**

(iv) **targets to limit the use of resource and application of circular economy;**

(v) pollution **of any kind, including plastic pollution, water, air and soil pollution, diffuse pollution;**

(vi) biodiversity and ecosystems **including targets to reduce deforestation and impacts on wildlife;**

(vi a) animal welfare, including living and transport conditions;

COMPROMISE 13

Article 1-paragraph 1.point 3.

-Article 19.b. paragraph 2. sub-paragraph 2. point b.

AM 51, 52, 53, 54, 55 (S&D); AM 305,307, 308, 311, 313, 314 (Left); AM 309 (EPP); AM 310 (Greens); 312 (Renew)

(b) specify the information that undertakings are to disclose about social factors, including information about:

i) the ***undertaking's workforce, including country-by-country data on:***

- workforce composition and diversity with respect to vulnerable groups, gender equality, and use of contingent labour,

- equal opportunities for all, including gender equality and equal pay for equal work or work of equal value as well as pay transparency,

- wage levels disaggregated per gender, per quartiles, per category of occupation, and comparison with applicable minimum wage levels and living wages;

- freedom of association, collective bargaining coverage, social dialogue practices, and consultation, information and involvement of workers,

- working conditions, including secure employment, work-life balance and a healthy, safe and well- adapted work environment, including data on workplace accidents and safety programmes ,in line with the Council Directive 89/391

- employment and inclusion of people with disabilities,

- training and skills development broken down by hours, gender and category of workers and the average expenditure on training per worker

- steps taken to reduce inequalities

- diversity in all levels of management, in particular women on boards, and the workforce broken down by gender, age, ethnicity and possible other relevant factors.

(ii) ***workers in the value chain, including:***

- sector-specific data on workers in the value chains associated with a high likelihood of actual or potential adverse impacts, corresponding to the data concerning the undertaking's workforce;

- information on impacts on human rights, including those concerning forced labour, child labour, privacy, freedom of expression, access to clean water and sanitation, and adequate housing, and

- information on protection of labour costs, payment times and cancellations in purchasing policies and practices.

iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the **relevant ILO conventions and in particular the fundamental conventions of the International Labour Organisation, the European Convention on human Rights, the European Social Charter, the Charter of Fundamental Rights of the European Union, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the European Convention on Human Rights and its additional protocols, the UNECE Convention on Access to Information, Public Participation in Decision Making and Access to Justice in Environmental Matters (Aarhus Convention) the UN Declaration on the Rights of Indigenous People (UNRIP) and its principle of Free, Prior and Informed Consent, the ILO Indigenous and Tribal People Convention, 1989, and Resolution 48/13 adopted by the Human Rights Council on the 8 October 2021 on the human right to a clean, healthy environment..**

(iiia) the undertaking's value chain linked to adverse actual and potential impacts on sustainability matters, including sector-specific information on suppliers, types of products and services supplied, and on sourcing and traceability of commodities and materials associated with a high likelihood of actual or potential adverse impacts on sustainability matters.

(iiib) affected communities, including information on:

- human rights impact assessments carried out by the undertaking or their supply and value chains*
- respect for indigenous peoples' rights and implementation of the undertaking's policy on the right to free prior and informed consent;*
- health, safety and security of persons; freedom of assembly and freedom of expression;*
- human rights impacts related to land and access to water, and*
- economic impacts on communities*

(iiic) implementation and results of the undertaking's due diligence process

COMPROMISE 14

Article 1-paragraph 1.point 3.

-Article 19.b. paragraph 2. sub-paragraph 2. point c.

AM 56, 57, 58, 59, 60, 61, 62, 63, 64, 65 (S&D) ; AM 317, 318, 319, 321, 323, 325, 328, 332(Left); AM 320, 322, 327, 330, 331 (Renew); 326, 329 (EPP)

c) specify the information that undertakings are to disclose about governance factors including information about:

i) the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, **engagement and proper implementation of the due diligence strategy, including engagement with the stakeholders affected by the identified impacts** and their composition;

ia) respect for workers' right to information and consultation as defined by national, international and Union law

(ii) business ethics and corporate culture, including anti-corruption, anti-bribery **policies, risks assessments and programme, anti-workplace violence, anti-harassment and internal alert mechanisms and arrangements within the undertaking for protecting whistleblowers;**

(iii) political **and policy** engagements **and influence** of the undertaking, including its **direct and indirect** lobbying activities, **expenses, and political donations;**

(iii)a management and quality of the relationships with state actors and in particular with public administrations, and information on public administrative procedural practices including public procurement;

(iv) business partners **management** and quality of relationships, **including** payment and **purchasing** practices, **in particular towards SMEs;**

(iv)a corporate litigation and alternative dispute resolution practices;

(iv)b tax practices broken down by country;

(iv)c security practices

v) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process **and implementation of the due diligence strategy;**

(v)a the undertaking's meaningful engagement with civil society, local communities, informal actors and structures on sustainability matters, especially just transition measures and the undertaking's social purpose;

(v)b Information on beneficial ownership and organisational structure, including subsidiaries, affiliates, joint ventures and non-fully consolidated holdings

(v)c corporate communication and information strategy and practices;

(v)d respect for the rule of law and good governance systems of the country, region or territory where the undertaking and its value and supply chain operate and impact on the rule of law and good governance systems.

COMPROMISE 15

Article 1-paragraph1.point 3.

-Article 20 . paragraph 1.point g)

AM 68 Majorino, AM 343 (Renew)

(g) a description of the diversity **and inclusion** policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to gender **equality, anti-discrimination, support for minority and vulnerable groups, including persons with disabilities**, and other aspects such as, age, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.

COMPROMISE 16

Article 1-paragraph1.point 3.

-Article 29.a.Paragraph 1.

AM 69 Majorino, AM 345 (Renew)

1. Parent undertakings of a large group shall include in the consolidated management report information necessary to understand the group's impacts on sustainability matters, and information, **broken down by country**, necessary to understand how sustainability matters affect the group's development, performance and position. ***This information shall be published in a specific section of the management report and in a format equivalent to, and compatible with, that laid down for the publication of the financial statements.***

COMPROMISE 17

Article 1-paragraph1.point 3.

-Article 29.a.Paragraph 2. Subparagraph 1.point a.

AM 70 (S&D), AM 347, 348, 357 (EPP), AM 354 (Comín) ; AM 349 (Renew) AM 350, 352, 356 (Left); AM 355 (Renew)

(a) a brief description of the group's business model and strategy, including:

(i) the resilience of the group's business model and strategy to risks related to sustainability matters **and climate change**;

(ii) the opportunities **and risks** for the group related to sustainability matters **and the transition to a carbon-neutral economy;**

(ii a) the assessment by the undertaking of its impacts on sustainability matters;

(iii) the plans of the group to ensure that the group's business model and strategy 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;

(iv) how the group's business model and strategy take account of the interests of the group's stakeholders **with a specific reference on whether there have been direct consultations with stakeholders to identify such information**, and of the impacts of the group on sustainability matters **including group's measures to ensure respect workers' rights, decent work conditions, fair wages, training and further education for workers, information and consultation of workers and safeguard the rights of trade unions;**

(v) how sustainability matters and related targets, in connection with principal risks, opportunities, and severe impacts, have been integrated into the ~~undertaking's~~ group's strategy and how the group's strategy has been implemented with regard to sustainability matters **and climate change.**

COMPROMISE 18

Article 1-paragraph 1.point 3.

-Article 29.a. Paragraph 2. Subparagraph 1.point e.

AM 71, 72 (Majorino), AM 361, 365 (Greens); AM 362 (Renew); AM 363, 364, 366, 367, 368 (Left)

e) a description of:

(i) the due diligence process implemented with regard to sustainability **in particular on environment, human rights, rule of law and good governance systems along the entire supply and value chain, including gender equality and workers' rights as well as plans to eradicate child labour and forced labour, in fully accordance with international and regional human rights conventions, guidelines and standards such as the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union an in line with applicable EU legislation on due diligence (Directive XXX)**

The reporting requirements as regards due diligence should be based upon the upcoming legislation on corporate due diligence.

(i)a the structure of the undertaking's value chain including through a mapping of its own operations, subsidiaries, suppliers and business relationships.

Disclosed information should include names, locations, types of products and services supplied

(ii) the actual or potential adverse impacts connected with the group's value chain **as identified through the due diligence process** including its own operations, its products and services, its **subsidiaries**, its business relationships and its supply chain **including with regard to all people affected by those impacts with particular attention to persons who frequently face discrimination or are in a vulnerable situation, such as women, children, minorities, indigenous people, persons experiencing poverty or social exclusion; LGBTIQ persons or persons with disabilities; the effect of the undertaking's business policies, practices and decisions on the identified issues, including of the undertaking's purchasing policies and practices;**

(iii) any actions taken, and the result of such actions, to **identify, assess**, prevent, mitigate **cease, monitor, communicate, account for, address and** or remediate actual or potential adverse impacts;

COMPROMISE 19

Article 1-paragraph1.point 3.

-Article 29.a. Paragraph 3.

AM 74 (S&D), AM 372 (EPP), AM 374, 378 (Left), AM 376 (Renew)

3. The information referred to in paragraphs 1 and 2 shall contain, **as much as possible**, forward-looking information and information about past performance, **in** qualitative and quantitative **form**. This information shall take into account short, medium and long-term time horizons, where appropriate.

The information referred to in paragraphs 1 and 2 shall include information about the group's value chain, including its own operations, **workforce, investments, assets**, its products and services, its business relationships and its supply chain, where appropriate.

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

COMPROMISE 20

Article 1-paragraph1.point 3.

-Article 29.a. Paragraph 7.

AM 75 (S&D),AM 380 (Renew), AM 381, 382, 383, 385, 386 (Left) AM 384 (EPP)

The consolidated management report of the parent undertaking shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the parent undertaking that is **subjected to** the obligations set out in paragraphs 1 to 4 is governed.

The Member State by which the parent undertaking is governed may require that the consolidated management report **of that parent undertaking** is published in its official language or in a language customary in the sphere of international finance.

The consolidated management report of **subsidiary of** a parent undertaking that **is subjected to** the obligations set out in paragraphs 1 to 4 shall contain the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and this Article, or in a manner that may be considered equivalent, in accordance with the relevant implementing measures adopted pursuant to Article 23(4)(i) of Directive 2004/109/EC, to the manner required by the sustainability standards adopted pursuant to Article 19b;

COMPROMISE 21
RECITAL 8

AM 4 (S&D), AM 89 (Greens), AM 90 (Left) , AM 91 (Renew)

8) The ultimate beneficiaries of better sustainability reporting by undertakings are **public authorities**, individual citizens and savers. **Policy makers and public authorities need this information in order to design and implement public policies, and in particular to protect people's rights and the environment, to hold undertakings accountable for their impacts and to conduct a just social and environmental transition.** Savers who want to invest sustainably will have the opportunity to do so, while all citizens should benefit from a stable, **transparent** (Renew) sustainable and inclusive economic system. To realise these benefits, the sustainability information disclosed in undertaking's annual reports first has to reach **three** primary groups ('users'). **The first group of users consists of policy makers and public authorities. The second** group of users investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose to their **reputation and** investments and the impacts of those investments on people, **in particular workers and local communities** and the environment. The **third** group of users consists of **civil society actors**, including, **international organisations, national, regional and local governments**, non-governmental organisations, social partners, **indigenous people and local communities** that wish to better hold undertakings to account for their impacts on people and the environment. Other stakeholders may also make use of sustainability information disclosed in annual reports **to foster the comparability across market sectors on the basis of environmental merits, corporate entities should disclose the degree to which they contribute to economic activities that qualify as environmentally sustainable pursuant to Article 3 of Regulation (EU) 2020/852 on Sustainable Finance Taxonomy and fully respect the 'do no significant harm principle pursuant to Article 17 of**

Regulation (EU) 2020/852. The business partners of undertakings, including customers, may rely on this information to understand, and where necessary report on, the sustainability risks and impacts through their own **supply and** value chains. **Experts**, policy makers, **social partners non-governmental organisations**, and environmental agencies may use such information, in particular on an aggregate basis, to monitor, **verify and compare** environmental, **climate** and social **data and** trends, to contribute to environmental **accounts and social progress** and to inform public policy. Few individual citizens and consumers directly consult undertaking's reports, but they may use such information indirectly such as when considering the advice or opinions of financial advisers or non-governmental organisations. Many investors and asset managers purchase sustainability information from third party data providers, who collect information from various sources, including public corporate reports.

COMPROMISE 22

RECITAL 9

Am 5 (S&D), AM 92 (Greens) , AM 93 (Renew)

9) There has been a very significant increase in demand for corporate sustainability information in recent years, especially on the part of the investment community **and civil society**. That increase in demand is driven by the changing nature of risks to undertakings and growing investor awareness of the financial implications of these risks. That is especially the case for climate-related financial risks. Awareness of the risks to undertakings and to investments resulting from other environmental issues, **notably related to climate and biodiversity**, and from social issues, including health issues, is also growing. The increase in demand for sustainability information is also driven by the growth in investment products that explicitly seek to meet certain sustainability standards or achieve certain sustainability objectives, **in line with international EU commitments, notably regarding the Paris Agreement on climate change and the Convention on Biological Diversity**. Part of that increase is the logical consequence of previously adopted Union legislation, notably Regulation (EU) 2019/2088 and Regulation (EU) 2020/852. Some of the increase would have happened in any case, due to fast-changing citizen awareness, consumer preferences and market practices. The COVID-19 pandemic will further accelerate the increase in users' information needs, in particular as it has exposed the vulnerabilities of workers and of undertaking's **due diligence along the supply and** value chains. Information on environmental impacts is also relevant in the context of mitigating future pandemics with human disturbance of ecosystems increasingly linked to the occurrence and spread of diseases.

COMPROMISE 23

RECITAL 12

AM 7(S&D) ; AM 98 (Renew) ; AM 97 (Greens) , AM 99 (Comín)

12) In the absence of policy action, the gap between users' information needs and the sustainability information reported by undertakings is expected to grow. This gap has significant negative consequences. Investors are unable to take sufficient account of sustainability-related risks and opportunities in their investment decisions. The aggregation of multiple investment decisions that do not take adequate account of sustainability-related risks has the potential to create systemic risks that threaten financial stability. The European Central Bank and international organisations such as the Financial Stability Board have drawn attention to those systemic risks, in particular in the case of climate. Investors are also less able to channel financial resources to undertakings and economic activities that address and do not exacerbate social and environmental problems, which undermines the objectives of the European Green Deal and the Action Plan on Financing Sustainable Growth, **the objectives of the Paris Agreement on climate change and the Convention on Biological Diversity**. Non-governmental organisations, social partners, communities affected by undertakings' activities, and other stakeholders are less able to hold undertakings accountable for their **adverse** impacts on people, **human rights**, the environment, **including in their activities in third countries, and on the rule of law and good governance systems, including in developing countries where the institutions that are constitutionally in charge of defending and protecting those organisations, social partners, communities and other stakeholders are undermined**. This creates an accountability deficit, and may contribute to lower levels of citizen trust in businesses, which in turn may have negative impacts on the efficient functioning of the social market economy. The lack of generally accepted metrics and methods for measuring, valuing, and managing sustainability-related risks is also an obstacle to the efforts of undertakings to ensure that their business models and activities are sustainable. **The lack of sustainability information also limits the ability of stakeholders, including civil society actors, trade unions, indigenous people and local communities, to enter into dialogue with undertakings on sustainability matters.**

COMPROMISE 24

RECITAL 15

AM 8, 10 (S&D), AM 101, 110 (Left), AM 103, 111 (Renew)

15) Articles 19a and 29a of Directive 2013/34/EU apply to large undertakings that are public-interest entities with an average number of employees in excess of 500, and to public-interest entities that are parent undertakings of a large group with an average number of employees in excess of 500 on a consolidated basis, respectively. In view of the growth of users' needs for sustainability information, additional categories of undertakings should be required to report such information. It is therefore appropriate to require all large undertakings and all undertakings listed on regulated markets, except micro undertakings, **all public interest entities, all small and medium sized undertakings operating in high-risk economic activity sectors**, to report detailed sustainability information. In addition, all undertakings that are parent undertakings of large groups should prepare sustainability reporting at group level **based on individual reports by subsidiary undertakings. Undertakings established outside the Union, but operating in the internal market should be**

subjected to the same requirements in order to account for their sustainability impacts and to provide a level playing field for undertakings established in the EU.

15a new). The specific situation of undertakings which, although not having any legal establishment in the Union, regularly engage in significant economic activity within the Union, should be taken into account. The requirement that undertakings established in third countries that operate in the European Union also disclose information on sustainability matters is necessary to account for the need of European users, consumers and investors to access information about sustainability matters related to their activities. It is also necessary in order to guarantee a level playing field in the single market between undertakings established in the European Union and third-country undertakings.

COMPROMISE 25

RECITAL 18

AM 11 (S&D), AM 113 (Renew), AM 114 (Left)

18) Considering the growing relevance of sustainability-related risks and taking into account that small and medium-sized enterprises (SMEs) listed on regulated markets comprise a significant proportion of all listed undertakings in the Union, in order to ensure investor protection ***as well as due diligence with regard to the environment, human rights and Rule of law and good governance systems***, it is appropriate to require that also those SMEs disclose information on sustainability matters. ***It is also appropriate to require all SMEs operating in high risk sectors of economic activity, defined as those sectors with a significant impact on human rights, the environment and Rule of law and good governance systems to carry out sustainability reporting.*** The introduction of this requirement will help to ensure that financial market participants can include smaller listed undertakings in investment portfolios on the basis that they report the sustainability information that financial market participants need. It will therefore help to protect and enhance the access of smaller listed undertakings to financial capital, and avoid discrimination against such undertakings on the part of financial market participants. The introduction of this requirement is also necessary to ensure that financial market participants have the information they need from investee undertakings to be able to comply with their own sustainability disclosure requirements laid down in Regulation (EU) 2019/2088. SMEs listed on regulated markets should, however, be provided with sufficient time to prepare for the application of the requirement to report sustainability information, due to their smaller size and more limited resources, and taking account of the difficult economic circumstances created by the COVID-19 pandemic. They should also be given the possibility to report according to standards that are proportionate to the capacities and resources of SMEs. ***SMEs not carrying out high risk economic activities and non-listed SMEs*** can also choose to use these proportionate standards on a voluntary basis. The SME standards will set a reference for undertakings that are within the scope of the Directive regarding the level of sustainability information that they could reasonably request from SME suppliers and clients in their ***supply and*** value chains.

COMPROMISE 26

RECITAL 18 a

(18a) Certain sectors of economic activity are recognised as posing particularly significant sustainability risks. A high-risk economic activity sector is a sector that is associated, as a result of its business and value and supply chain characteristics, with a high likelihood of actual or potential severe impacts on the environment , people, human rights as well as on the rule of law and good governance systems of the country, region or territory where the undertaking or its value and supply chains operate.

Some sectors, such as among others, mining, extractives industries, agriculture, fisheries, forestry and food production, fertilizers, pesticides and antibiotics, garment industry, plastic production, timber, the electronic industry, the energy industry, finance and international shipping or the gig economy, may be more exposed to severe environmental, social, human right, impacts and Rule of law and governance systems, in particular in developing countries.

In order to ensure that this Directive apply also to small and medium undertaking operating in high-risk sectors of economic activity. , such sectors should be defined. To this purpose, The Commission shall be empowered to adopt delegated acts in accordance with Article 49 to establish and update a list of high-risk sectors of economic activity. . It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, to establish and update the list of high-risk economic activity sectors, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Inter-institutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure their equal participation in the preparation of delegated acts, Parliament and the Council should receive all documents at the same time as Member States' experts, and their experts should systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts. Small and medium-sized undertakings carrying out a high-risk economic activity should also be subject to sustainability reporting obligations.

(18b)

The definition of sectors of high risk economic activity should be based on and inspired by the NACE Codes and should take into account EU legislation, scientific evidence and data about sectors that are particularly exposed to sustainability risks or are likely to have actual or potential severe impacts on the environment, human rights and the rule of law and good governance systems, sectors that are already considered "high-risk" under international standards and sectors that are already considered "high-risk" under market or business initiatives.

The definition of high-risk sectors of economic activity sectors should take into account also the geographical area where the undertaking and its value and supply chain operate, in particular if it is considered as a conflict affected or high-risk area as defined in Regulation (EU) 2017/821.

The Commission should also take into account the work of the Platform on Sustainable Finance established in accordance with Article 20 of Regulation (EU) 2020/852 and the OECD Due Diligence Guidance for Responsible Business Conduct.

18c The requirement that small and medium-sized undertakings operating in high-risk sectors should disclose information on sustainability matters is mainly driven by the likelihood and severity of sustainability impacts is higher in some specific sectors regardless of the size of the undertaking.

COMPROMISE 27

RECITAL 21

AM 13 (S&D) AM 117 (Renew); AM 118 (Left)

(21) Articles 19a(3) and 29a(3) of Directive 2013/34/EU currently exempt all subsidiary undertakings from the obligation to report non-financial information where such undertakings and their subsidiary undertakings are included in the consolidated management report of their parent undertaking, ***as defined in the aforementioned directive***, provided this includes the required non-financial information. It is necessary, however, to ensure that sustainability information ***is easily*** accessible for users, and to bring transparency about ***the activities of all the undertakings covered by the scope*** of the ***directive***. It is therefore necessary to require those subsidiary undertakings to publish ***a management report containing information on sustainability. The absence of an exemption does not affect the possibility for a parent undertaking to pool costs and resources with its subsidiaries in order for them to fulfil their obligations concerning sustainability reporting and auditing of sustainability reporting. Nor does it affect the possibility for parent undertakings to produce a consolidated management report.***

COMPROMISE 28

RECITAL 26

AM 16 (S&D), AM 129 (Left) ; AM 130 (Greens) ; AM 131 (Comín)

26) Articles 19a(1) and 29a(1) of Directive 2013/34/EU require undertakings to disclose information about five reporting areas: business model, policies (including due diligence processes implemented), the outcome of those policies, risks and risk management, and key indicators relevant to the business. Article 19a(1) of Directive 2013/34/EU does not contain explicit references to other reporting areas that users of information consider relevant, some of which align with disclosures included in international frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures. Disclosure requirements should be specified in sufficient detail to ensure that undertakings report information on their resilience to risks related to sustainability matters. In addition to the reporting areas identified in Articles 19a(1) and 29a(1) of Directive 2013/34/EU, undertakings should therefore be required to disclose information about their business strategy and the resilience of the business model and strategy to risks related to sustainability matters, any plans they may have to ensure that their business model and strategy are compatible with

the transition to a sustainable and climate-neutral *economy and the preservation of biodiversity, in particular by delivering information in sectors causing most environmental impact, such as agriculture, fishing, logging, mining and large-scale infrastructure*; whether and how their business model and strategy **respect and safeguard the rights**, the interests **and the needs** of stakeholders **including workers, indigenous people and local communities and the principle of prior and informed consent**; any opportunities **and risk** for the undertaking arising from sustainability matters; the implementation of the aspects of the business strategy which affect, or are affected by sustainability matters; any **science-based and time-bound short-term , mid-term and long-term** sustainability targets set by the undertaking **and a description of the investments, actions and policies adopted to achieve those targets and of the progress made towards achieving them**; the role of the board and management with regard to sustainability matters; the **due diligence process implemented with regard to sustainability matters**, the actual and potential adverse impacts connected with the undertaking's activities; **the negative or positive effects of the undertaking's business practices, policies and decisions on the identified impacts** and how the undertaking has identified the information that they report on, **including on whether undertakings have directly consulted with stakeholders to identify such information**. Once the disclosure of elements such as targets and the progress towards achieving them is required, the separate requirement to disclose the outcomes of policies is no longer necessary.

COMPROMISE 29
RECITAL 27

AM 17 (S&D) ; AM 133 (Renew) , AM 134 (Greens) , AM 135 (Left)

(27) To ensure consistency with international instruments such as the UN Guiding Principles on Business and Human Rights, **including the UNGPs 10+**, and the OECD Due Diligence Guidance for Responsible Business Conduct, **the ILO Tripartite Declaration of Principles concerning Multinational enterprises and Social Policy (ILO Tripartite Declaration), the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) and its principle of Free, Prior and Informed Consent (Greens)**, **as well as other regional instruments such as the Inter-American Standards for Business and human rights**, the due diligence disclosure requirements should be specified in greater detail than is the case in Article 19a(1), point (b), and Article 29a(1), point (b) of Directive 2013/34/EU. Due diligence is the process that undertakings carry out to identify, **assess** prevent, mitigate, **cease, monitor, communicate, account for, address** and remediate the actual and potential adverse impacts connected with their activities. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's **supply and** value chain. The due diligence process concerns the whole value chain of the undertaking including its own operations, its products and services, its business relationships and its supply chains. In alignment with the UN Guiding Principles on Business and Human Rights, an actual or potential adverse impact is to be considered principal where it measures among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people or the environment; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state. **With regard to the impacts**

on the rule of law and governance systems of the country where the undertaking and its value and supply chains are operating, consistency and coherence should also be pursued with other international and regional instruments, such as the UN Convention against Corruption, Section VII of the OECD Guidelines for Multinational Enterprises and the principles of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related Recommendations.

COMPROMISE 30

RECITAL 34

AM 18 (S&D), AM 142(Left), AM143 (Renew); 144 (EPP)

(34) The European Financial Reporting Advisory Group (EFRAG) is a non-profit association established under Belgian law that serves the public interest by providing advice to the Commission on the endorsement of international financial reporting standards. EFRAG has established a reputation as a European centre of expertise on corporate reporting, and is well placed to foster coordination between European sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world. In March 2021, a multi-stakeholder task force set up by EFRAG published recommendations for the possible development of sustainability reporting standards for the European Union. Those recommendations contain proposals to develop a coherent and comprehensive set of reporting standards, covering all sustainability matters from a double-materiality perspective. Those recommendations also contain a detailed roadmap for developing such standards, and proposals for mutually reinforcing cooperation between global standard-setting initiatives and standard-setting initiatives of the European Union. In March 2021, the EFRAG President published recommendations for possible governance changes to EFRAG if it were to be asked to develop technical advice about sustainability reporting standards. These recommendations include offsetting up within EFRAG a new sustainability reporting pillar while not significantly modifying the existing financial reporting pillar. When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop. In order to ensure high-quality standards that contribute to the European public good and meet the needs of undertakings and of users of the information reported, EFRAG's technical advice should be developed with proper due process, public oversight and transparency, accompanied by cost benefit analyses, and be **based on and developed through a broad consultation** process. **The Commission should guarantee a transparent process avoiding any risk of conflict of interest, as well as the full inclusion in the development of sustainability reporting standards of trade unions, consumer organisations, NGOs and all other relevant stakeholders, such as international organisations or governments from countries where the undertaking or its value and supply chain will operate in order to represent the interests of both groups of users referred to in Recital 8 of this Directive.** To ensure that Union sustainability reporting standards take account of the views of the Member States of the Union, before adopting the standards the Commission should consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on EFRAG's technical advice. The European Securities and Markets Authority (ESMA) plays a role in drafting regulatory technical standards pursuant to Regulation (EU) 2019/2088 and there needs to be coherence between those regulatory technical standards and sustainability

reporting standards. According to Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁵⁴, ESMA also plays a role in promoting supervisory convergence in the enforcement of corporate reporting by issuers whose securities are listed on EU regulated markets and who will be required to use these sustainability reporting standards. Therefore, ESMA should be required to provide an opinion on EFRAG's technical advice. This opinion should be provided within two months from the date of receipt of the request from the Commission. In addition, the Commission should consult the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance to ensure that the sustainability reporting standards are coherent with relevant Union policy and legislation. ***In addition, the expertise and opinion of the International Sustainability Standards Board (ISSB) of the International Financial Reporting Standard (IFRS) Foundation should be taken into account.*** Where any of those bodies decide to submit an opinion, they shall do so within **three** months from the date of being consulted by the Commission.

COMPROMISE 31
RECITAL 35

AM 19 (S&D) ; AM 145 (Renew), 146 (EPP)

(35) Sustainability reporting standards should be coherent with other Union legislation, ***in particular with legislation dealing with the issues covered by this Directive.*** Those standards should in particular be aligned with the disclosure requirements laid down in Regulation (EU) 2019/2088, and they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to Regulation (EU) 2020/852, disclosure requirements applicable to benchmark administrators pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council⁵⁵, the minimum standards for the construction of EU climate transition benchmarks and EU Paris-aligned benchmarks; and of any work carried out by the European Banking Authority in the implementation of the Pillar III disclosure requirements of Regulation (EU) No 575/2013. Standards should take account of Union environmental legislation, including Directive 2003/87/EC of the European Parliament and of the Council⁵⁶ and Regulation (EC) No 1221/2009 of the European Parliament and of the Council⁵⁷, and should take account of Commission Recommendation 2013/179/EU⁵⁸ and its annexes, and their updates. ***All*** other relevant Union legislation, including Directive 2010/75/EU of the European Parliament and of the Council⁵⁹, and requirements laid down in Union law for undertakings as regards directors' duties and due diligence, should also be taken into account.

⁵⁵ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

⁵⁶ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32)

⁵⁷ Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).

⁵⁸ Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1)

⁵⁹ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

COMPROMISE 32

RECITAL 36

AM 147 (Green) AM 148 (Left)

36) Sustainability reporting standards should take account of the Commission guidelines on non-financial reporting⁶⁰ and the Commission guidelines on reporting climate-related information⁶¹. They should also take account of other reporting requirements in Directive 2013/34/EU, **including reporting on payments to governments by undertakings sets out in Chapter X, as well as other reporting requirements** not directly related to sustainability, with the aim of providing the users of the reported information with a better understanding of the development, performance, position and **environmental and social** impact of the undertaking, by maximising the links between the sustainability information and other information reported in accordance with Directive 2013/34/EU

⁶⁰ 2017/C 215/01.

⁶¹ 2019/C 209/01.

COMPROMISE 33

RECITAL 39

AM 20 (S&D) ; AM 152 (Renew) , AM 153 (Greens)

(39) Sustainability reporting standards should also take account of internationally recognised principles and frameworks on responsible business conduct, corporate social responsibility, and sustainable development, including the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, **and its guidance on ensuring that the activities of human rights defenders are not obstructed**, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct and related sectoral guidelines, the UN Global Compact, the Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, the ISO 26000 standard on social responsibility, and the UN Principles for Responsible Investment. **Other frameworks such as the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) and its principle of Free, Prior and Informed Consent, the UN**

Convention against Corruption, Section VII of the OECD Guidelines for Multinational Enterprises, the principles of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related recommendations should also be equally taken into account.

COMPROMISE 34

RECITAL 43

AM 21 (S&D), 159(_Renew) ; AM 158 (Left); 160 (EPP)

(43) Sustainability reporting standards should specify the information that undertakings should disclose on social factors, including employee factors and human rights. Such information should cover the impacts of undertakings on people, including on human health. ***The undertaking should disclose country-by-country information regarding their workforce, working conditions, including wages per gender, working hours, workers' physical and psychological health and safety. It should also disclose information on social dialogue and workers' representation.*** The information that undertakings disclose about human rights should include ***the impacts on human rights and workers' rights in their value and supply chains, including but not limited to forced labour and living wages, forced labour and child labour*** in their value ***and supply*** chains. Reporting standards that address social factors should specify the information that undertakings should disclose with regard to the principles of the European Pillar of Social Rights that are relevant to businesses, including equal opportunities for all and working conditions. The European Pillar of Social Rights Action Plan adopted in March 2021 calls for stronger requirements on undertakings to report on social issues. The reporting standards should also specify the information that undertakings should disclose with regard to the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, ***such as the Convention on the Rights of the Child and the UN Declaration on the Rights of Indigenous Peoples***, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, ***the relevant conventions of the international Labour Organisation and in particular the fundamental conventions of the International Labour Organisation***, and the Charter of Fundamental Rights of the European Union, ***the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.***

COMPROMISE 35

RECITAL 44

(44) Users need information about governance factors, including information on the role of an undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, the composition of such bodies, and an undertaking's internal control , ***alert mechanisms*** and risk management systems, including in relation to the reporting process. Users also need information about undertakings' corporate culture and approach to business ethics, including ***concrete indicators on*** anti-corruption and anti-bribery policies and ***programmes*** and about their political ***and public policy*** engagements, including lobbying activities ***and on beneficial ownership and organisation structure*** as well as ***on the undertakings' respect for the rule of law and good governance systems of the country where the undertakings and their value and/or supply chains operate. Information, broken down by countries, on corporate strategies and practices, on private and public procurement, security, taxes, public administrative relations and procedures, corporate communication and information, corporate litigation are also part of corporate governance aspects that are important to be disclosed. The disclosure of these data aims at enabling investors to make better-informed decisions, improving corporate governance and accountability and contributing to containing tax evasion.*** Information about the management of the undertaking and the quality of relationships with business partners, including payment practices relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive 2011/7/EU of the European Parliament and of the Council⁶² on late payment in commercial transactions, helps users to understand an undertaking's risks as well as its impacts on sustainability matters. Every year, thousands of businesses, especially SMEs, suffer administrative and financial burdens because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains Increasing information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.

COMPROMISE 36

RECITAL 46

AM23 (S&D),AM 166 (Renew); AM 163(Greens) , AM 164 (Left)

46) Undertakings in the same sector are often exposed to similar sustainability-related risks, and they often have similar impacts on society and the environment. Comparisons between undertakings in the same sector are especially valuable to investors and other users of sustainability information. Sustainability reporting standards adopted by the Commission should therefore specify both information that undertakings in all sectors should disclose and information that undertakings should disclose depending on their sector of activity. Standards ***applicable to undertakings in high-risk economic activity sectors should be consistent with reporting requirements of Chapter 10 of Directive 2013/34/EU and require sustainability disclosures to be made at project-level. Project-level disclosures are crucial for investors who need consistent and detailed information on projects to fully understand the impact of climate-related financial risk. Project-level disclosure is equally crucial for communities***

affected and civil society organisations of resource-rich countries, to understand and scrutinize the benefits of the economic activities and their environmental, social, human rights and Rule of law and governance systems impacts. Standards should also take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from SME suppliers, from suppliers in emerging markets and economies or suppliers operating in fragile contexts, conflict-related areas or affected by security concerns.

COMPROMISE 37

RECITAL 47

AM 24 (S&D), AM 167 (Renew), AM 168 (Greens), AM 169 (Left), 170 (EPP)

(47) To meet the information needs from users in a timely manner, and in particular given the urgency to meet the information needs of financial market participants subject to the requirements laid down in the delegated acts adopted pursuant to Article 4, paragraphs 6 and 7 of Regulation (EU) 2019/2088, the Commission should adopt a first set of reporting standards ***within one year and a half of the entry into force of this Directive***. That set of reporting standards should specify the information that undertakings should disclose with regard to all reporting areas and sustainability matters, and that financial market participants need to comply with the disclosure obligations laid down in Regulation (EU) 2019/2088. The Commission should adopt a second set of reporting standards ***within two year of the entry into force of this Directive***, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary, and information that is specific to the sector in which an undertaking operates. ***Standards for undertakings active in high risks economic activity sectors where sustainability risks are the most severe should be developed as a priority, in particular undertakings active in the extractive industry, the manufacture of wearing apparel, large-scale crop, animal production and seafood industry.*** The Commission should review the standards every 5 years to take account of relevant developments, including the development of international standards. ***A one-off review of the standards should take place following the adoption of the due diligence legislation, in order to ensure as close as possible alignment between corporate sustainability reporting and due diligence.***