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# Commission Notice on the interpretation of certain legal provisions in Directive 2013/34/EU (Accounting Directive), Directive 2006/43/EC (Audit Directive), Regulation (EU) No 537/2014 (Audit Regulation), Directive 2004/109/EC (Transparency Directive), Delegated Regulation (EU) 2023/2772 (first set of European Sustainability Reporting Standards, 'first ESRS delegated act'), and Regulation (EU) 2019/2088 (Sustainable Finance Disclosures Regulation, 'SFDR') as regards sustainability reporting

(C/2024/6792)

This set of Frequently Asked Questions (FAQs) clarifies the interpretation of certain provisions on sustainability reporting introduced by the Corporate Sustainability Reporting Directive, 'CSRD' (Directive (EU) 2022/2464)) into the Accounting Directive (Directive 2013/34/EU), the Audit Directive (Directive 2006/43/EC), the Audit Regulation (Regulation (EU) No 537/2014), and the Transparency Directive (Directive 2004/109/EC) with the aim of facilitating their implementation by undertakings. It also clarifies certain provisions of the Sustainable Finance Disclosures Regulation, 'SFDR' (Regulation (EU) 2019/2088).

This set of FAQs also includes a limited number of clarifications concerning the interpretation of certain provisions of the first set of European Sustainability Reporting Standards, 'ESRS' (Commission Delegated Regulation (EU) 2023/2772), where legal interpretation from the Commission has been deemed to be necessary. Undertakings and other stakeholders may also wish to consult the implementation guidance on ESRS published by EFRAG, the multistakeholder advisory body tasked with advising the Commission on ESRS ([1]).

Through this set of FAQs, the Commission intends to facilitate the compliance of stakeholders with the regulatory requirements in a cost-effective way and to ensure the usability and comparability of the reported information on sustainability. By providing greater clarity and certainty to companies, this set of FAQs will contribute to the Commission's objective of reducing administrative burdens on undertakings associated with sustainability reporting ([2]). The Commission may update these FAQs where appropriate.

The replies to the FAQs contained in this Notice clarify the provisions already contained in the applicable legislation. They do not extend in any way the rights and obligations deriving from such legislation nor introduce any additional requirements. These FAQs are merely intended to assist undertakings in the implementation of the relevant legal provisions. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. The views expressed in this Notice cannot prejudge the position that the Commission might take before the Union and national courts.

## Table of contents

*Page*

**Section I – Glossary of relevant terms and applicable legislation** ..... 3

**Section II – Overview of the sustainability reporting requirements introduced by the CSRD** ..... 4

SUSTAINABILITY REQUIREMENTS FOR REPORTING UNDERTAKINGS ..... 5

REQUIREMENTS FOR STATUTORY AUDITORS AND INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS) ..... 13

([1]) www.efrag.org EFRAG has published implementation guidance on materiality assessment, on value-chain reporting and on the list of datapoints contained in ESRS. EFRAG is currently developing implementation guidance on climate transition plans. In addition, EFRAG has established an online Q&A platform through which undertakings and other stakeholders can submit technical questions on ESRS.

([2]) In order to rationalise reporting obligations, the Commission has made full use of its empowerment in Article 3(13) Accounting Directive to adopt Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council (OJ L, 2023/2775, 21.12.2023) to adjust the size criteria applicable to the definition micro, small, medium-sized and large undertakings or groups for the effects of inflation. This has reduced the number of undertakings subject to sustainability reporting requirements under the Accounting Directive – and, consequently, under Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).

**Section III – FAQs on sustainability information to be reported under Articles 19a/29a of the Accounting Directive (individual and consolidated sustainability statement)** ....15

SCOPE AND APPLICATION DATES ....15

EXEMPTION RULES ....19

ESRS ....23

VALUE CHAIN ....24

ARTICLE 8 TAXONOMY REGULATION DISCLOSURES ....27

LANGUAGE REQUIREMENTS ....27

DIGITALISATION (FORMAT AND DIGITAL TAGGING) ....28

PUBLICATION ....28

SUPERVISION ....29

**Section IV – FAQs on sustainability information reported under Article 40a of the Accounting Directive** ....29

SCOPE AND APPLICATION DATE ....29

ESRS ....30

ARTICLE 8 TAXONOMY REGULATION DISCLOSURES ....30

EXEMPTION RULES ....31

LANGUAGE AND FORMAT ....31

PUBLICATION ....31

SUPERVISION ....32

**Section V – FAQs on the assurance of sustainability reporting** ....32

APPROVAL OF STATUTORY AUDITORS AND AUDIT FIRMS ....32

ACCREDITATION AND APPROVAL OF INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS) ....34

ACCREDITED INDEPENDENT THIRD PARTY ....35

INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS) ....35

THIRD-COUNTRY ASSURANCE PROVIDERS ....36

CONFIDENTIALITY ....36

ASSURANCE SERVICES ....36

FEES ....36

ASSURANCE OF THE SUSTAINABILITY STATEMENT PREPARED IN ACCORDANCE WITH ARTICLES 19a AND 29a ACCOUNTING DIRECTIVE ....37

NON-ASSURANCE SERVICES ....39

ASSURANCE OF THE SUSTAINABILITY REPORT PREPARED IN ACCORDANCE WITH ARTICLE 40a OF THE ACCOUNTING DIRECTIVE ....39

**Section VI – FAQs on key intangible resources** ....40

**Section VII – Additional FAQs on requirements for third-country undertakings** ....41

**Section VIII – FAQ on SFDR** ....42

SECTION I

## GLOSSARY OF RELEVANT TERMS AND APPLICABLE LEGISLATION

| Term | Definition / Legal reference |
|---|---|
| Accounting Directive | Directive 2013/34/EU ([1]). |
| Audit Directive | Directive 2006/43/EC ([2]). |
| Audit Regulation | Regulation (EU) No 537/2014 ([3]). |
| Company Law Directive | Directive (EU) 2017/1132 ([4]). |
| CSRD | Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive) ([5]). |
| ESAP package | — Regulation (EU) 2023/2859 establishing a European Single Access Point (ESAP) providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (ESAP Regulation) ([6]);<br>— Regulation (EU) 2023/2869 amending certain Regulations as regards the establishment and functioning of the European single access point (ESAP Omnibus Regulation) ([7]);<br>— Directive (EU) 2023/2864 amending certain Directives as regards the establishment and functioning of the European single access point (ESAP Omnibus Directive) ([8]). |
| ESEF Delegated Regulation | Commission Delegated Regulation 2019/815 on the European Single Electronic Format (ESEF) ([9]). |
| LSME ESRS | European Sustainability Reporting Standards (ESRS) to be used by listed Small-and Medium sized undertakings (SMEs), excluding micro-undertakings, as an alternative to the ESRS for the preparation of their sustainability statement under Article 19a of the Accounting Directive. These ESRS are to be adopted by the Commission based on Article 29c of the Accounting Directive. |
| ESRS concerning certain third-country undertakings | European Sustainability Reporting Standards (ESRS) to be used by third-country undertakings subject to Article 40a of the Accounting Directive in the preparation of their sustainability report. These ESRS are to be adopted by the Commission based on Article 40b of the Accounting Directive. |
| ESRS | European Sustainability Reporting Standards (ESRS) to be used by undertakings within the scope of Articles 19a and 29a of the Accounting Directive for the preparation of their sustainability statement in compliance with Articles 19a and 29a of the Accounting Directive. These ESRS include both the first set of sector-agnostic ESRS (which have been adopted by Commission Delegated Regulation (EU) 2023/2772 ([10])) and the sector-specific ESRS (to be adopted by the Commission by 30 June 2026). |
| SMEs | Small and Medium-sized undertakings, as defined in Article 3(1), (2), and (3) of the Accounting Directive. |
| SFDR | Regulation (EU) 2019/2088 (Sustainable Finance Disclosures Regulation) ([11]). |
| Sustainability report concerning certain third-country undertakings | Sustainability information to be reported under Article 40a of the Accounting Directive. |
| Sustainability statement | Sustainability information to be reported under Articles 19a (individual sustainability statement) and 29a (consolidated sustainability statement) of the Accounting Directive. |
| Taxonomy Regulation | Regulation (EU) 2020/852 ([12]). |
| Transparency Directive | Directive 2004/109/EC ([13]). |

([1]) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).
([2]) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).
([3]) 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).
([4]) Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (OJ L 169, 30.6.2017, p. 46).
([5]) Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).
([6]) Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OJ L, 2023/2859, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2859/oj).
([7]) Regulation (EU) 2023/2869 of the European Parliament and of the Council of 13 December 2023 amending certain Regulations as regards the establishment and functioning of the European single access point (OJ L, 2023/2869, 20.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2869/oj).
([8]) Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point (OJ L, 2023/2864, 20.12.2023, ELI: http://data.europa.eu/eli/dir/2023/2864/oj).
([9]) Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).
([10]) 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).
([11]) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).
([12]) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).
([13]) 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).

SECTION II

## OVERVIEW OF THE SUSTAINABILITY REPORTING REQUIREMENTS INTRODUCED BY THE CSRD

The CSRD (Corporate Sustainability Reporting Directive – Directive (EU) 2022/2464) has introduced new sustainability reporting requirements for certain undertakings by way of amendments to the Accounting Directive (Directive 2013/34/EU), Audit Directive (Directive 2006/43/EC), Audit Regulation (Regulation (EU) No 537/2014), and Transparency Directive (Directive 2004/109/EC).

Overall ([3]), 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.

Overall, these sustainability reporting requirements apply to undertakings governed by the law of a Member State ([4]) that are:

— large undertakings;

([3]) This is an overview of the main sustainability reporting requirements. Relevant reporting requirements for undertakings governed by the law of a Member State: Articles 19a, 29a, 40a Accounting Directive. For a more detailed illustration of each requirement, please see the paragraphs below.
([4]) This is an overview of the undertakings in the scope of these sustainability reporting requirements. For a more detailed illustration of the undertakings in the scope of each requirement, please see the paragraphs below.

— 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 ([5]).

The rules to determine the size of an undertaking and the scope of consolidation for sustainability reporting purposes rely on the existing rules for financial reporting purposes, which are set out in the national measures transposing the pre-existing Accounting Directive. The Accounting Directive thresholds for the determination of the size of each category of undertaking are indicated in the box within the '*Flowchart to identify the applicable sustainability reporting requirements and the application date*' below.

The date of application of these sustainability reporting requirements varies depending on the specific reporting requirement and on the category of undertaking. The specific application date for each requirement is indicated in the paragraph '*Sustainability requirements for reporting undertakings*' below.

As these requirements are introduced by way of a Directive, the specific rules that apply to undertakings are the ones set out in the national legislation transposing the Accounting Directive as amended by the CSRD ([6]), as well as by Commission Delegated Directive (EU) 2023/2775 ([7]) that has adjusted the size criteria applicable to the definition of micro, small, medium-sized and large undertakings or groups for the effects of inflation, therefore reducing the number of undertakings subject to sustainability and, to a certain extent, financial reporting requirements.

The CSRD does not regulate the voluntary disclosure of sustainability information by undertakings that do not fall under the scope of CSRD (for instance, SMEs without securities admitted to trading on an EU regulated market), which is not subject to mandatory requirements at Union level.

SUSTAINABILITY REQUIREMENTS FOR REPORTING UNDERTAKINGS

1. **Preparation, assurance and publication of the sustainability information to be reported under Articles 19a and 29a Accounting Directive (sustainability statement)**

1.1. *Sustainability information to be reported at individual level under Article 19a Accounting Directive (sustainability statement)*

Based on Article 19a Accounting Directive, undertakings governed by the law of a Member State that are:

— large undertakings ([8]); or

([5]) Relevant reporting requirements for undertakings governed by the law of a third country: Article 4(5) Transparency Directive (which cross-refers to Articles 19a and 29a Accounting Directive) and Article 40a Accounting Directive.

([6]) The rules on the presentation and the content of the sustainability statement prepared by undertakings are set out in the delegated acts specifying the relevant European Sustainability Reporting Standards (ESRS). These standards are adopted by way of Regulations, therefore are directly applicable by undertakings without need for Member States to transpose them.

([7]) Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups (OJ L, 2023/2775, 21.12.2023, ELI: http://data.europa.eu/eli/dir_del/2023/2775/oj).

([8]) As defined in Article 3(4) Accounting Directive, as amended by Commission Delegated Directive (EU) 2023/2775.

— SMEs ([9]), excluding micro-undertakings ([10]), with transferable securities ([11]) admitted to trading on an EU regulated market;

must report sustainability information at individual level (individual sustainability statement) concerning the undertaking's impacts on sustainability matters, and concerning how sustainability matters affect the undertaking's development, performance and position.

The individual sustainability statement must comply with the following requirements:

(i) it must be included in a dedicated section of the undertaking's management report;

(ii) it must be prepared in accordance with the European Sustainability Reporting Standards (ESRS) adopted by way of Commission delegated acts ([12]). SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market may alternatively prepare their individual sustainability statement in accordance with a dedicated set of proportionate ESRS ([13]) adopted by way of Commission delegated acts (LSME ESRS) ([14]);

(iii) it must be marked-up in accordance with a digital taxonomy ([15]) adopted by way of an amendment to Commission Delegated Regulation on the European Single Electronic Format (ESEF) ([16]), and the management report that includes the sustainability statement shall be prepared in the XHTML format ([17]);

(iv) it must be subject to assurance ([18]), to be carried out by statutory auditors, or Independent Assurance Services Providers 'IASPs' where allowed by a Member State, based on limited assurance standards ([19]);

(v) the management report that includes the sustainability statement shall be published in accordance with the existing publication rules for the management report ([20]), together with the assurance opinion on the sustainability statement ([21]).

([9]) As defined in Article 3(1), (2) and (3) Accounting Directive, as amended by Commission Delegated Directive (EU) 2023/2775.
([10]) As defined in Article 3(1) Accounting Directive, as amended by Commission Delegated Directive (EU) 2023/2775.
([11]) As defined in Article 4(1) point (44) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. Transferable securities include, inter alia, shares in companies and other forms of securitised debt.
([12]) Article 29b Accounting Directive. These ESRS include both the first set of sector-agnostic ESRS (which have been adopted by Commission Delegated Regulation (EU) 2023/2772) and the sector-specific ESRS (to be adopted by the Commission by 30 June 2026).
([13]) Article 19a(6) Accounting Directive.
([14]) Article 29c Accounting Directive.
([15]) A 'digital taxonomy' is a set of rules (which will be adopted by way of an amendment to Commission Delegated Regulation 2019/815) that will set out how to mark-up the information within the sustainability statement – which has to be included in a management report drawn-up in XHTML format – in order for the sustainability statement to become machine-readable.
([16]) Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).
([17]) Article 29d Accounting Directive.
([18]) Article 34 Accounting Directive.
([19]) Based on Article 26a of the CSRD, the assurance of sustainability reporting must be carried out in compliance with the limited assurance standards to be adopted by the Commission by 1 October 2026 (and currently under development). Member States may however apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.
([20]) The sustainability reporting requirements set out in the Accounting Directive as amended by the CSRD do not modify the pre-existing publication deadline for the management report specified in Article 30 of the Accounting Directive, i.e. at the latest 12 months after the balance sheet date.
([21]) Article 30 Accounting Directive.

These requirements must be complied with based on the following phased approach ([22]):

— *for financial years starting on or after 1 January 2024* (i.e. with publication in 2025): large undertakings which are public-interest entities ([23]) exceeding on their balance sheet dates the average number of 500 employees during the financial year;

— *for financial years starting on or after 1 January 2025* (i.e. with publication in 2026): the other large undertakings (i.e. large undertakings which are not '*public-interest entities exceeding on their balance sheet dates the average number of 500 employees during the financial year*');

— *for financial years starting on or after 1 January 2026* (i.e. with publication in 2027):

  — SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market;

  — small and non-complex institutions ([24]) provided they are either large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market;

  — captive insurance undertakings ([25]) and captive reinsurance undertakings ([26]) provided that they are either large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market.

SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market may opt-out from these requirements until financial years beginning before 1 January 2028, provided that they briefly state in their management report why the sustainability reporting was not provided ([27]).

The undertaking is exempted from the obligation to publish an individual sustainability statement where the information is included in the consolidated sustainability statement of a parent undertaking, provided that certain conditions are met as regards the content of the exempted undertaking's management report and the publication of the sustainability information by the parent undertaking ([28]). Large undertakings with securities admitted to trading on an EU regulated market – including small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings and including third-country undertakings – cannot avail of this exemption ([29]).

1.2. *Sustainability information to be reported at consolidated level under Article 29a Accounting Directive (consolidated sustainability statement)*

Based on Article 29a Accounting Directive, an undertaking governed by the law of a Member State that is a parent undertaking of a large group ([30]) must report sustainability information at consolidated level (consolidated sustainability statement) concerning the undertaking's impacts on sustainability matters, and concerning how sustainability matters affect the undertaking's development, performance and position.

The consolidated sustainability statement must comply with the same requirements specified for the individual sustainability statement (paragraph 1.1 above, points (i) to (v)) ([31]).

([22]) Article 5(2) first subparagraph CSRD.
([23]) As defined in Article 2 point (1) Accounting Directive.
([24]) Defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013.
([25]) Defined in point (2) of Article 13 of Directive 2009/138/EC.
([26]) Defined in point (5) of Article 13 of Directive 2009/138/EC.
([27]) Article 19a(7) Accounting Directive.
([28]) These conditions are set out in Article 19a(9) Accounting Directive. See also FAQ 19.
([29]) Article 19a(10) Accounting Directive.
([30]) As defined in Article 3(7) Accounting Directive.
([31]) However, the consolidated sustainability statement can only be prepared using ESRS. Parent undertakings of large groups that are SMEs with transferable securities admitted to trading on the EU regulated markets may not use LSME ESRS.

These requirements must be complied with based on the following phased approach ([32]):

— *for financial years starting on or after 1 January 2024* (i.e. for publication in 2025): public-interest entities that are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, an average number of 500 employees during the financial year;

— *for financial years starting on or after 1 January 2025* (i.e. with publication in 2026): the other parent undertakings of a large group (i.e. parent undertakings of a large group that are not '*public-interest entities and/or whose group does not exceed on its balance sheet dates, on a consolidated basis, an average number of 500 employees during the financial year*').

A parent undertaking that publishes a consolidated sustainability statement is exempt from the obligation to publish its individual sustainability statement ([33]). A parent undertaking that is also a subsidiary undertaking is exempt from publishing a consolidated sustainability statement where the information is included in the consolidated sustainability statement or consolidated sustainability reporting of another parent undertaking, provided that certain conditions are met as regards the content of the exempted undertaking's management report and the publication of the sustainability information by the parent undertaking ([34]). Large undertakings with securities admitted to trading on an EU regulated market – including small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings and including third-country undertakings – cannot avail of this exemption ([35]).

1.3. *Sustainability information to be reported at individual level (sustainability statement) or – for parent undertakings of large groups – at consolidated level (consolidated sustainability statement) under Article 4(5) of the Transparency Directive by issuers of transferable securities admitted to trading on an EU regulated market)*

Based on Article 4(5) of the Transparency Directive, which cross-refers to Articles 19a and 29a of the Accounting Directive, issuers of transferable securities admitted to trading on an EU regulated market ([36]) (regardless of whether they are governed by the law of a Member State or by the law of a third country), excluding micro-undertakings, must include in their annual financial reports a management report that includes sustainability information at individual level (sustainability statement) or – for parent undertakings of large groups – at consolidated level (consolidated sustainability statement) in compliance with the same requirements specified under paragraph 1.1 above, points (i) to (v). The publication rules are those established for the annual financial report under Article 4 of the Transparency Directive ([37]).

Issuers of transferable securities admitted to trading on an EU regulated market that are large undertakings or SMEs (excluding micro-undertakings) or parent undertakings of large groups as defined in the Accounting Directive, will also have to publish the management report in compliance with the requirements set out in the Accounting Directive and specified under paragraphs 1.1 and 1.2 above. Exemption rules under Articles 19a(8) and 19a(9) of the Accounting Directive also apply.

These requirements must be complied with based on the following phased approach ([38]):

— *for financial years starting on or after 1 January 2024 (i.e. with publication in 2025):* issuers that are large undertakings exceeding on their balance sheet dates an average number of 500 employees during the financial year, as well as issuers that are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, an average number of 500 employees during the financial year;

([32]) Article 5(2) first subparagraph Accounting Directive.
([33]) Article 29a(7) Accounting Directive.
([34]) These conditions are set out in Article 29a(8) Accounting Directive. See also FAQ 19.
([35]) Article 29a(9) Accounting Directive.
([36]) As defined in Article 2 points (a) and (d) of the Transparency Directive.
([37]) The sustainability reporting requirements set out in the Transparency Directive as amended by the CSRD do not modify the pre-existing publication deadline for the annual financial report (which includes the management report) specified in Article 4(1) Transparency Directive, i.e. at the latest 4 months after the balance sheet date.
([38]) Article 5(2) third subparagraph Accounting Directive.

— *for financial years starting on or after 1 January 2025 (i.e. with publication in 2026)*: other issuers that are large undertakings, as well as to other issuers that are parent undertakings of a large group;

— *for financial years starting on or after 1 January 2026 (i.e. with publication in 2027)*:

  — issuers that are SMEs (excluding micro-undertakings);

  — issuers defined as small and non-complex institutions provided they are large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market; and

  — issuers defined as captive insurance undertakings and captive reinsurance undertakings provided that they are either large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market.

2. **Preparation, assurance, and publication of the sustainability information to be reported under Article 40a Accounting Directive (sustainability report for certain third-country undertakings)**

Based on Article 40a of the Accounting Directive, where a third-country undertaking that generates a net turnover of more than EUR 150 million in the Union (for each of the last two consecutive financial years) has a subsidiary in the Union that is subject to Articles 19a/29a Accounting Directive, or, in the absence of such subsidiary, a branch in the Union that generated a net turnover of more than EUR 40 million (in the preceding financial year), the subsidiary or the branch will have to publish and make accessible sustainability information at the group level of the third-country parent undertaking.

This sustainability report to be provided under Article 40a of the Accounting Directive has a limited content compared to the 'sustainability statement' to be provided under Articles 19a/29a of the Accounting Directive. Certain information that is required in the sustainability statement is not required in the sustainability report, in particular information on resilience, opportunities, and risks, since the intention above all is to focus the sustainability report on sustainability impacts ([39]).

The sustainability report must comply with the following requirements:

— it must be prepared in accordance with the ESRS for certain third-country undertakings adopted by way of Commission delegated acts ([40]);

— it must be subject to assurance ([41]);

— it must be published by the relevant subsidiaries or branches established or located in the Union together with the assurance opinion on the sustainability report ([42]).

If the third-country parent undertaking prepares the sustainability report in compliance with the ESRS (instead of with the ESRS for certain third-country undertakings), the subsidiary or branch does not need to prepare the sustainability report in accordance with the ESRS for certain third-country undertakings. In this case, the exemptions under Article 19a(9) and Article 29a(8) would apply.

These requirements must be complied with for each financial year beginning on or after 1 January 2028 ([43]).

([39]) Article 40a(1) Accounting Directive: '[…] *sustainability report covering the information specified in points (a)(iii) to (a)(v), points (b) to (f) and, where appropriate, point (h) of Article 29a(2)*'.

([40]) Articles 40a(2) first subparagraph and 40b Accounting Directive. The time limit for the Commission to adopt the ESRS for certain third-country undertaking was postponed to 30 June 2026 by Directive (EU) 2024/1306 of the European Parliament and of the Council of 29 April 2024 amending Directive 2013/34/EU as regards the time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings (OJ L, 2024/1306, 8.5.2024, ELI: http://data.europa.eu/eli/dir/2024/1306/oj).

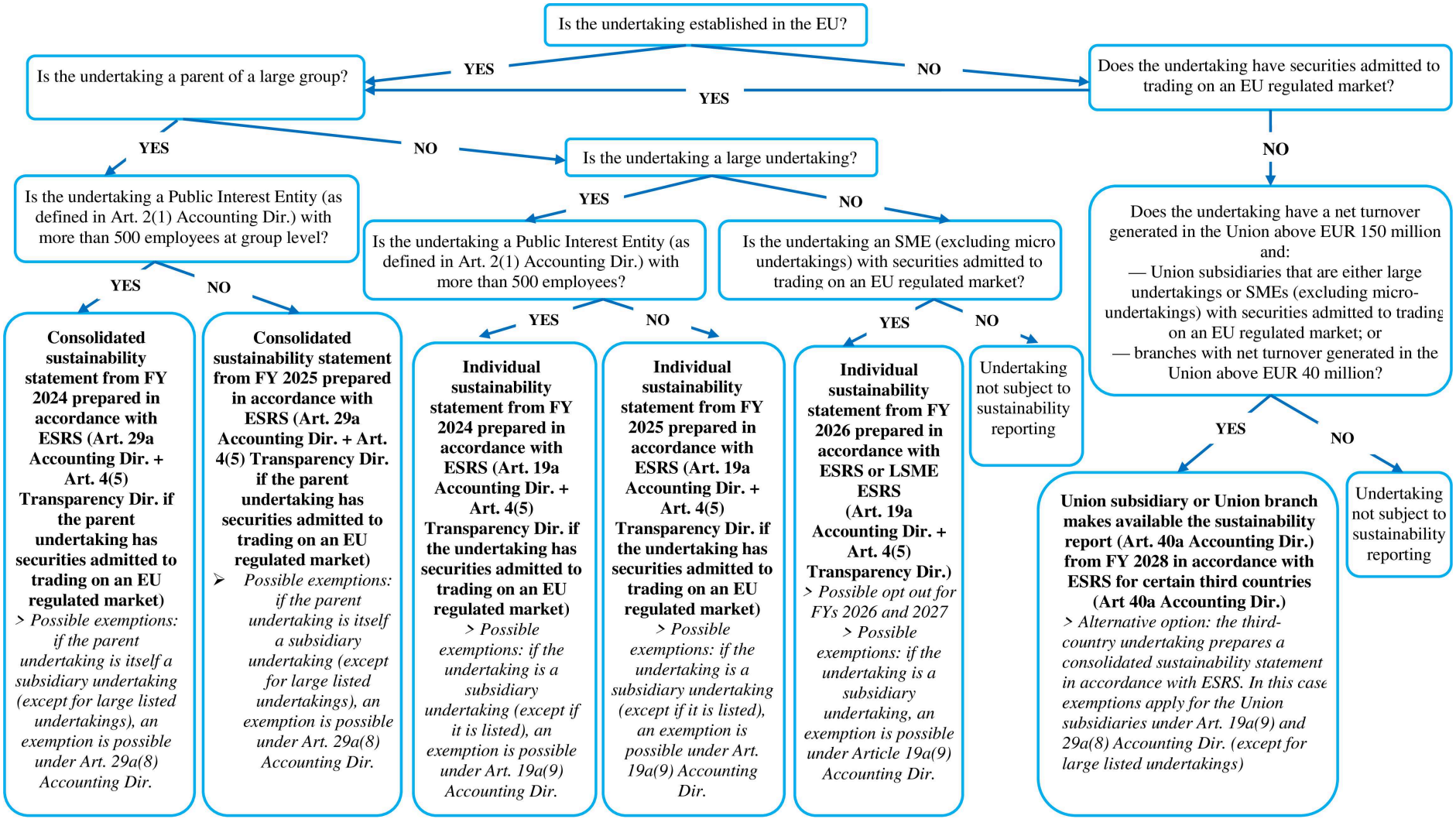
([41]) Article 40a(3) Accounting Directive.

([42]) Article 40d Accounting Directive.

([43]) Article 5(2) second subparagraph CSRD: '*Member States shall apply the measures necessary to comply with point (14) of Article 1 for financial years starting on or after 1 January 2028*.'

*Flowchart to identify the applicable sustainability reporting requirements for each type of undertaking and the specific application date*

The flowchart below illustrates the process to determine whether an entity is subject to sustainability reporting requirements and from which financial year.




- **Micro-undertakings (Art. 3(1) Accounting Directive)** = undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 450 000; (b) net turnover: EUR 900 000; (c) average number of employees during the financial year: 10.
- **SMEs (Art. 3(1), (2) and (3) Accounting Directive)** = undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.
- **Large undertakings (Art. 3(4) Accounting Directive)** = undertakings which on their balance sheet dates exceed at least two of the three following criteria: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.
- **Large groups (Art. 3(7) Accounting Directive)** = groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.

*Timeline for the application of sustainability reporting requirements*

The table below illustrates the different application dates for the different types of undertakings subject to sustainability reporting.

| | **Financial year 2024 (reporting in 2025)** | **Financial year 2025 (reporting in 2026)** | **Financial year 2026 (reporting in 2027)** | **Financial year 2027 (reporting in 2028)** | **Financial year 2028 (reporting in 2029)** |
|---|---|---|---|---|---|
| Large undertakings which are PIEs (including third-country issuers) > 500 employees on average during the financial year | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** |
| PIEs (including third-country issuers) that are parent undertakings of a large group > 500 employees on average on a consolidated basis during the financial year | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** |
| Large undertakings (including third-country issuers) that are not '*PIEs > 500 employees on average during the financial year*' | N/A | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** | **Individual sustainability statement (ESRS)** |
| Parent undertakings of a large group (including third-country issuers) that are not '*PIEs > 500 employees on average on a consolidated basis during the financial year*' | N/A | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** | **Consolidated sustainability statement (ESRS)** |
| Listed SMEs, SNCIs, captive (re)insurance undertakings (including third-country issuers) | N/A | N/A | **Individual sustainability statement (ESRS or LSME ESRS)** (*) | **Individual sustainability statement (ESRS or LSME ESRS)** (*) | **Individual sustainability statement (ESRS or LSME ESRS)** |
| CSRD subsidiaries (or, in the absence, EU branches with net turnover in the Union > EUR 40 million) of third-country non-listed undertakings with net turnover in the Union > EUR 150 million | N/A | N/A | N/A | N/A | **Sustainability report (ESRS for certain third-country undertakings or ESRS)** |

(*) May opt out.

REQUIREMENTS FOR STATUTORY AUDITORS AND INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS)

1. **Assurance of the sustainability information to be reported under Articles 19a and 29a Accounting Directive (sustainability statement)**

Under Article 34(1) second subparagraph, point (aa) of the Accounting Directive, any undertaking subject to sustainability reporting under Articles 19a and 29a of the Accounting Directive must obtain an assurance opinion on the sustainability statement included in their management report ([44]).

From the first year of application of sustainability reporting requirements, this assurance opinion must be based on a limited assurance engagement as regards the compliance of the sustainability statement with the following requirements ([45]):

— the sustainability reporting requirements provided for in the Accounting Directive (including the compliance of the sustainability reporting with the ESRS adopted pursuant to Articles 29b/29c of the Accounting Directive, the process carried out by the undertaking to identify the information reported pursuant to those ESRS, and the compliance with the requirement to mark-up sustainability reporting in accordance with Article 29d of the Accounting Directive); and

— the reporting requirements provided for in Article 8 of the Taxonomy Regulation.

Based on Article 26a of the Audit Directive, the Commission is empowered to adopt sustainability assurance standards for limited assurance by 1 October 2026 ([46]).

The Commission is empowered to adopt sustainability assurance standards for reasonable assurance by 1 October 2028, following an assessment to determine if reasonable assurance is feasible for auditors and for undertakings ([47]).

Pending the adoption by the Commission of assurance standards on this subject matter, Member States may apply national assurance standards, procedures or requirements covering that subject matter ([48]).

Based on Article 34 of the Accounting Directive, the opinion on the sustainability reporting may be expressed by the following categories of assurance providers:

— the statutory auditor auditing the financial statements of the relevant undertaking ([49]);

([44]) Article 34(1) second subparagraph, point (aa) Accounting Directive: *'The statutory auditor(s) or audit firm(s) shall also:* […] *(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive* […]'.

([45]) Article 34(1) second subparagraph, point (aa) Accounting Directive: *'The statutory auditor(s) or audit firm(s) shall also:* […] *(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the sustainability reporting standards adopted pursuant to Article 29b or Article 29c, the process carried out by the undertaking to identify the information reported pursuant to those sustainability reporting standards, and the compliance with the requirement to mark up sustainability reporting in accordance with Article 29d, and as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852;* […]'

([46]) Article 26a(1) and (3) first subparagraph Audit Directive: *'Member States shall require statutory auditors and audit firms to carry out the assurance of sustainability reporting in compliance with the assurance standards adopted by the Commission* […]. *The Commission shall, no later than 1 October 2026, adopt delegated acts* […] *in order to provide for limited assurance standards setting out the procedures that the auditor(s) and the audit firm(s) shall perform in order to draw his, her or its conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the assurance report on sustainability reporting, or, where relevant, in the audit report* […]'.

([47]) Article 26a(3) second subparagraph Audit Directive: *'The Commission shall, no later than 1 October 2028, adopt delegated acts* […] *in order to provide for reasonable assurance standards, following an assessment to determine if reasonable assurance is feasible for auditors and for undertakings. Taking into account the results of that assessment and if therefore appropriate, those delegated acts shall specify the date from which the opinion referred to in point (aa) of the second subparagraph of Article 34(1) is to be based on a reasonable assurance engagement that is based on those reasonable assurance standards.*'.

([48]) Article 26a(2) first subparagraph Audit Directive: *'Member States may apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.*'.

([49]) Article 34(1) first subparagraph Accounting Directive: *'Member States shall ensure that the financial statements of public-interest entities, medium-sized and large undertakings are audited by one or more statutory auditors or audit firms approved by Member States to carry out statutory audits on the basis of Directive 2006/43/EC.*'

— a statutory auditor other than the one auditing the financial statements (where allowed by a Member State) ([50]);

— an Independent Assurance Services Provider 'IASP' (where allowed by a Member State) ([51]).

If a Member State decides to allow an IASP to express the assurance opinion on the sustainability reporting, it shall also allow a statutory auditor other than the one(s) carrying out the statutory audit of financial statements to do so ([52]).

2. **Assurance of the sustainability information to be reported under Article 40a of the Accounting Directive (sustainability report for certain third-country undertakings)**

Under Article 40a(3) first subparagraph of the Accounting Directive, the subsidiaries or branches subject to sustainability reporting under Article 40a of the Accounting Directive must obtain an assurance opinion on the sustainability report ([53]). The third-country parent undertaking is responsible for providing the assurance opinion on the sustainability report to the relevant subsidiary or branch ([54]).

This assurance opinion must concern the compliance of this sustainability report with the relevant requirements set out in the Accounting Directive, including the compliance of the sustainability report with the ESRS adopted pursuant to Article 40b of the Accounting Directive.

This assurance opinion must be expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the national law of the third-country undertaking or of a Member State ([55]).

3. **Assurance providers: conditions to provide sustainability assurance**

Where a statutory auditor or audit firm approved to carry out the audit of financial statements within a Member State wishes to be approved to provide assurance on sustainability reporting, it will have to comply with the national measures transposing the relevant requirements set out in the Audit Directive as regards the assurance of sustainability reporting.

These requirements cover in particular educational qualifications, examinations of professional competence, tests of theoretical knowledge, practical training and continuing education. Compliance with these requirements is not mandatory where the statutory auditor or audit firm does not provide assurance on sustainability reporting.

Statutory auditors approved before 1 January 2026 – that were either approved before 1 January 2024 or that on 1 January 2024 were undergoing the approval process – that also want to carry out sustainability assurance, do not have to comply with these requirements, but still need to acquire the necessary knowledge through continuing education ([56]).

([50]) Article 34(3) Accounting Directive: '*Member States may allow a statutory auditor or an audit firm other than the one(s) carrying out the statutory audit of financial statements to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1.*'

([51]) Article 34(4) first subparagraph Accounting Directive: '[…] *Member States may allow an independent assurance services provider established in their territory to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1* […].'

([52]) Article 34(4) sixth subparagraph Accounting Directive: '*If a Member State, pursuant to the first subparagraph, decides to allow an independent assurance services provider to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, it shall also allow a statutory auditor other than the one(s) carrying out the statutory audit of financial statements to do so, as provided for in paragraph 3.*'

([53]) Article 40a(3) first subparagraph Accounting Directive: '*Member States shall require that the sustainability report referred to in paragraph 1 is published accompanied by an assurance opinion* […]'.

([54]) Article 40a(3) second subparagraph Accounting Directive: '*In the event that the third-country undertaking does not provide the assurance opinion in accordance with the first subparagraph, the subsidiary undertaking or branch shall issue a statement indicating that the third-country undertaking did not make the necessary assurance opinion available.*'

([55]) Article 40a(3) first subparagraph Accounting Directive: '*Member States shall require that the sustainability report referred to in paragraph 1 is published accompanied by an assurance opinion expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the national law of the third-country undertaking or of a Member State.*'.

([56]) Article 14a of the Audit Directive.

Independent Assurance Services Providers (IASPs) may provide assurance of sustainability reporting where allowed by a Member State ([57]) and under the following conditions:

— The IASP is accredited for the assurance of sustainability reporting in accordance with Regulation (EC) No 765/2008 ([58]) ([59]); and

— the IASP complies with requirements equivalent to those set out in the Audit Directive for statutory auditors in the Union to carry out the assurance of sustainability reporting ([60]). These requirements concern in particular: (a) training and examination; (b) continuing education; (c) quality assurance systems; (d) professional ethics, independence, objectivity, confidentiality and professional secrecy; (e) appointment and dismissal; (f) investigations and sanctions; (g) the organisation of the work of the independent assurance services provider, in particular in terms of sufficient resources and personnel and the maintenance of client account records and files; and (h) reporting irregularities.

From 6 January 2027, a Member State that allows IASPs to carry out assurance services on sustainability reporting in its territory shall allow IASPs established in other Member States to carry out the assurance of sustainability reporting in its territory ([61]).

Third-country auditors and audit entities that provide sustainability assurance for undertakings established in a third country with transferable securities admitted to trading on an EU regulated market of a Member State must be registered in that Member State ([62]).

SECTION III

## FAQS ON SUSTAINABILITY INFORMATION TO BE REPORTED UNDER ARTICLES 19A/29A OF THE ACCOUNTING DIRECTIVE (INDIVIDUAL AND CONSOLIDATED SUSTAINABILITY STATEMENT)

SCOPE AND APPLICATION DATES

1) **Which financial year determines when an undertaking falls into a certain size-category of undertakings: the financial year of the reporting year or the financial year prior to the reporting year?**

([57]) Article 34(4) first subparagraph Accounting Directive.

([58]) Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).

([59]) Article 2, point (20) of the Accounting Directive: '"*independent assurance services provider" means a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive.*'

([60]) Article 34(4) first subparagraph Accounting Directive: '*Member States may allow an independent assurance services provider established in their territory to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, provided that such independent assurance services provider is subject to requirements that are equivalent to those set out in Directive 2006/43/EC of the European Parliament and of the Council as regards the assurance of sustainability reporting as defined in point 22 of Article 2 of that Directive, in particular the requirements on: (a) training and examination, ensuring that independent assurance services providers acquire the necessary expertise concerning sustainability reporting and the assurance of sustainability reporting; (b) continuing education; (c) quality assurance systems; (d) professional ethics, independence, objectivity, confidentiality and professional secrecy; (e) appointment and dismissal; (f) investigations and sanctions; (g) the organisation of the work of the independent assurance services provider, in particular in terms of sufficient resources and personnel and the maintenance of client account records and files; and (h) reporting irregularities.*'

([61]) Article 34(5) first subparagraph Accounting Directive: '*From 6 January 2027, a Member State that has made use of the option provided for in paragraph 4 (the "host Member State") shall allow independent assurance services provider established in a Member State other than the host Member State (the "home Member State") to carry out the assurance of sustainability reporting.*'

([62]) Article 45 Audit Directive.

The rules to determine the size of an undertaking for sustainability reporting purposes rely on the existing rules for financial reporting purposes applying to the undertaking on the basis of the Member State in which it has its registered office ([63]). These rules are set out in the national measures transposing the preexisting Accounting Directive.

2) **If an undertaking evolves during the course of a given financial year such that it meets the criteria for inclusion in a different category of undertaking, is it required to start reporting sustainability information according to the rules that apply to that new category for that same financial year or only after the criteria have been met for two consecutive financial years?**

The rules to determine the size category of an undertaking for sustainability reporting purposes, when that undertaking is evolving during the course of a given financial year, rely on the existing rules for financial reporting purposes (see also FAQ 1). These rules are set out in the national measures transposing the preexisting Accounting Directive.

3) **How is the average number of employees calculated for the purpose of the undertaking's categorisation under the Accounting Directive?**

Union legislation does not regulate the calculation of the average number of employees for the purpose of the undertaking's categorisation under the Accounting Directive. However, Member States may have adopted national rules or provided guidance on this matter. In the absence of national rules or guidance, undertakings may use Article 5 of Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises ([64]) as guidance regarding the measurement of staff headcount, as a proxy of an average number of employees: '[…] *The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU. The staff consists of: (a) employees; (b) persons working for the enterprise being subordinated to it and deemed to be employees under national law; (c) owner-managers; (d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise. Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.*'

4) **Are SMEs without transferable securities admitted to trading on an EU regulated market required to report sustainability information under Articles 19a/29a of the Accounting Directive?**

SMEs without transferable securities admitted to trading on an EU regulated market are not required to report sustainability information at individual level under Article 19a of the Accounting Directive (individual sustainability statement). They are however required to report sustainability information at consolidated level under Article 29a of the Accounting Directive (consolidated sustainability statement) if they are parent undertakings of a large group ([65]). Article 29a of the Accounting Directive applies regardless of the size of the parent undertaking.

5) **Are credit institutions and insurance undertakings required to report sustainability information under Articles 19a and 29a of the Accounting Directive regardless of their legal form?**

([63]) In the case of undertakings with securities admitted to trading, the applicable financial reporting rules are those of the Home Member State as defined in Article 2(1) point (i) of the Transparency Directive (i.e. the Member State in which the undertaking has its registered office or one of the Member States where the undertaking has its securities admitted to trading on an EU regulated market).

([64]) Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

([65]) As defined in Article 3(7) Accounting Directive.

Yes. Pursuant to Article 1(3) of the Accounting Directive, credit institutions ([66]) and insurance undertakings ([67]), including cooperatives and mutual undertakings, are included in the scope of Article 19a of the Accounting Directive (individual sustainability statement) regardless of their legal form if they are large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market. They are also included in the scope of Article 29a of the Accounting Directive (consolidated sustainability statement) regardless of their legal form where they are the parent undertaking of a large group.

Pursuant to Article 1(3) point (b) second sentence of the Accounting Directive, Member States may choose not to apply, wholly or in part, the sustainability reporting requirements to specific credit institutions ([68]).

6) **Are financial institutions – other than insurance undertakings and credit institutions – required to report sustainability information under Articles 19a/29a of the Accounting Directive?**

Yes. Financial institutions – other than insurance undertakings and credit institutions – are included in the scope of Articles 19a and 29a of the Accounting Directive where they meet both of the following requirements:

— They are undertakings incorporated as a type of undertaking listed in Annex I or II of the Accounting Directive ([69]);

— they are either large undertakings or SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market (Article 19a of the Accounting Directive) and/or parent undertakings of a large group (Article 29a of the Accounting Directive).

7) **If a Small and Non-Complex Institution (SNCI) is currently required to report non-financial information under Directive 2014/95/EU (NFRD), does it have to continue reporting non-financial information in accordance with the provisions of NFRD until the CSRD regime starts applying to small and non-complex institutions (i.e. from financial years starting on or after 1 January 2026)?**

Yes. Based on Article 5(2) of the CSRD, a small and non-complex institution that is a large undertaking or an SME (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market will be required to report sustainability information in accordance with ESRS (or, alternatively, with LSME ESRS) starting from financial year 2026. Therefore, a small and non-complex institution that is currently required to report non-financial information under Article 19a of the Accounting Directive as introduced by Directive 2014/95/EU (NFRD) ([70]) (i.e. because, besides being a credit institution, it is also a large undertaking exceeding on its balance sheet dates the criterion of an average number of 500 employees during the financial year) would have to continue reporting under the NFRD regime until the CSRD regime becomes applicable to small and non-complex institutions (i.e. from financial year 2026).

8) **If a Small and Non-Complex Institution (SNCI) is a parent company of a large group, can that SNCI benefit from the derogation under Article 19a(6) of the Accounting Directive and prepare sustainability reporting in accordance with LSME ESRS?**

([66]) As defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

([67]) Within the meaning of Article 2(1) of Council Directive 91/674/EEC.

([68]) Article 1(3) point (b) second sentence Accounting Directive: '*Member States may choose not to apply the coordination measures referred to in the first subparagraph of this paragraph to the undertakings listed in points (2) to (23) of Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council.*'

([69]) Article 1(1) Accounting Directive: '1. *The coordination measures prescribed by this Directive shall apply to the laws, regulations and administrative provisions of the Member States relating to the types of undertakings listed: (a) in Annex I; (b) in Annex II, where all of the direct or indirect members of the undertaking having otherwise unlimited liability in fact have limited liability by reason of those members being undertakings which are:(i) of the types listed in Annex I; or (ii) not governed by the law of a Member State but which have a legal form comparable to those listed in Annex I.* […]'.

([70]) Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1).

If an undertaking (regardless of the size or the specific type, e.g. including SNCIs) is a parent undertaking of a large group, it must publish a consolidated sustainability statement under Article 29a of the Accounting Directive prepared in accordance with ESRS. The possibility to use LSME ESRS in accordance with Article 19a(6) of the Accounting Directive only applies to SMEs (excluding micro-undertakings) with securities listed on an EU regulated market and to small and non-complex institutions, captive insurance undertakings or captive reinsurance undertakings (provided they are either large undertakings or SMEs – excluding micro-undertakings – with securities listed on an EU regulated market for the preparation of their individual sustainability statement. See also FAQ 10).

9) **If a Small and Non-Complex Institution (SNCI) is a parent company of a large group, when does it have to start reporting sustainability information?**

If an SNCI is a parent undertaking of a large group, it must publish a consolidated sustainability reporting using ESRS either from financial year 2024 (if the SNCI is a Public Interest Entity exceeding on its balance sheet date, on a consolidated basis, an average number of 500 employees during the financial year) or from financial year 2025 (in all other cases).

10) **If an SNCI is a parent undertaking of a large group but is not required to issue consolidated financial statements due to all its subsidiaries being immaterial, is this SNCI still required to prepare and publish a consolidated sustainability statement?**

No. Article 29a of the Accounting Directive applies to parent undertakings of large groups. However, if a parent undertaking of a large group is exempted from preparing and publishing consolidated financial statements based on Article 23(10) of the Accounting Directive (i.e. because it only has subsidiary undertakings which are immaterial, both individually and collectively, or because all its subsidiary undertakings can be excluded from consolidation by virtue of Article 23(9) of the Accounting Directive), that parent undertaking is not required to prepare and publish a consolidated sustainability statement. However, to the extent that such parent undertaking is itself a large undertaking as defined in Article 3(4) of the Accounting Directive and would therefore fall within the scope of Article 19a of the Accounting Directive, that undertaking must prepare and publish an individual sustainability statement in accordance with Article 19a of the Accounting Directive. This individual sustainability statement must consider its subsidiaries when reporting about its value chain in accordance with ESRS.

11) **Are Undertakings for Collective Investments in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) required to report sustainability information under Articles 19a and 29a of the Accounting Directive?**

No. Based on Article 1(4) of the Accounting Directive, UCITS and AIFs are exempted from reporting sustainability information under the Accounting Directive even if these financial products are in the scope of the Accounting Directive ([71]).

12) **Are undertakings that manage Collective Investments in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) required to report sustainability information under Articles 19a and 29a of the Accounting Directive?**

Article 1(4) of the Accounting Directive aims to exclude UCITS and AIFs from the sustainability reporting requirements under Articles 19a and 29a of the Accounting Directive.

However, undertakings that manage UCITS and AIFs would fall under the scope of the sustainability reporting obligations under Articles 19a and 29a of the Accounting Directive if they fulfil the legal form conditions under Article 1(1) of the Accounting Directive, and if they meet the company size criteria under Articles 19a and 29a of the Accounting Directive.

([71]) Article 1(4) Accounting Directive: *'The coordination measures prescribed by Articles 19a, 29a and 29d shall not apply to financial products listed in points (b)* [i.e. UICTS] *and (f)* [i.e. AIFs] *of point (12) of Article 2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council* [i.e. SFDR]'.

13) **Are Exchange-Traded Funds (ETFs) and Real Estate Investment Trusts (REITs) required to report sustainability information under Articles 19a and 29a of the Accounting Directive?**

As regards ETFs, since these financial products are established as Collective Investments in Transferable Securities (UCITS) or Alternative Investment Funds (AIFs), the same exemption applicable to UCITS and AIFs applies (see FAQ 11). As regards listed REITs, to the extent that they meet the conditions of Article 4(1)(a) of Directive 2011/61/EU ([72]) to qualify as AIFs, the same exemption applicable to AIFs applies (see FAQ 11).

14) **Are pension funds required to report sustainability information under Articles 19a and 29a of the Accounting Directive?**

If a pension fund is incorporated as a type of undertaking listed in Annex I or II of the Accounting Directive ([73]) and falls under the scope of Articles 19a and 29a of the Accounting Directive, it will have to include in its management report a sustainability statement. Unlike Collective Investments in Transferable Securities (UCITS) or Alternative Investment Funds (AIFs), pension funds are not covered by the exclusion from the sustainability reporting requirements set out in Article 1(4) of the Accounting Directive.

15) **Is the sustainability statement published within the management report by an issuer of transferable securities admitted to trading on an EU regulated market to be considered as 'regulated information' as per Article 2(1) point (k) of the Transparency Directive?**

Yes. Article 2(1) point (k) of the Transparency Directive defines regulated information as, inter alia, '*all information which the issuer, or any other person who has applied for the admission of securities to trading on a regulated market without the issuer's consent, is required to disclose under this Directive* [i.e. the Transparency Directive] […]'. Article 4(5) of the Transparency Directive requires issuers to disclose a sustainability statement, which is therefore to be considered as 'regulated information'.

16) **Which companies may opt out of the obligation to report sustainability information for financial years starting before 1 January 2028 pursuant to Article 19a(7) of the Accounting Directive?**

Based on Article 19a(7) of the Accounting Directive, SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market may decide not to report sustainability information under Article 19a of the Accounting Directive for financial years starting before 1 January 2028 (e.g. for financial years 2026 and 2027). In such cases, the SME shall, nevertheless, briefly state in its management report why the sustainability reporting was not provided.

This opt-out also applies to small and non-complex institutions, as well as to captive insurance and reinsurance undertakings, provided they are SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market.

EXEMPTION RULES

17) **If a parent undertaking reports sustainability information at consolidated level under Article 29a of the Accounting Directive (consolidated sustainability statement), does it have to report information on key performance indicators in accordance with Article 19(1) third subparagraph of the Accounting Directive in its consolidated management report?**

([72]) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

([73]) Article 1(1) of the Accounting Directive.

No. Article 19(1) third subparagraph of the Accounting Directive ([74]), which regulates the individual management report, requires the disclosure of information on key performance indicators within the individual management report. Article 29(1) of the Accounting Directive ([75]), which regulates the consolidated management report, requires that the consolidated management report sets out, as a minimum, the information required by Articles 19 and 20 of the Accounting Directive. Since Article 29a(7) of the Accounting Directive ([76]) exempts undertakings from disclosing information on key performance indicators in the context of their individual management report (as required by Article 19(1) third subparagraph Accounting Directive) where they have complied with Article 29a(1) to (5), and since the contents of the consolidated management report according to Article 29(1) shall also include the information required under Article 19(1), the exemption would also apply to the undertaking's consolidated management report under Article 29a.

18) **If an SME with securities admitted to trading on an EU regulated market chooses to voluntarily prepare and publish a consolidated sustainability statement under Article 29a Accounting Directive, shall it be exempted from preparing and publishing its individual sustainability statement under Article 19a Accounting Directive?**

Yes. An SME with securities admitted to trading on an EU regulated market that voluntarily publishes the consolidated sustainability statement referred to in Article 29a of the Accounting Directive shall be exempted from preparing and publishing the individual sustainability statement referred to in Article 19a of the Accounting Directive, provided that the consolidated sustainability statement is prepared in compliance with ESRS.

19) **What are the conditions for a subsidiary undertaking in the scope of Articles 19a/29a of the Accounting Directive to be exempted from reporting sustainability information under Articles 19a/29a of the Accounting Directive (sustainability statement)?**

According to Articles 19a(9) and 29a(8) of the Accounting Directive, an undertaking which is a subsidiary undertaking shall be exempted from the obligations set out in Article 19a(1) to (4) of the Accounting Directive (or Article 29a(1) to (5) of the Accounting Directive if the subsidiary is itself an intermediate parent undertaking of a large group) if such undertaking and its subsidiary undertakings are included in the consolidated management report of a parent undertaking drawn up in accordance with Articles 29 and 29a of the Accounting Directive (or in the consolidated sustainability reporting of a third-country parent undertaking carried out in accordance with ESRS or in a manner equivalent to those ESRS).

This exemption is subject to all the conditions listed in Article 19a(9) second subparagraph of the Accounting Directive (or Article 29a(8) second subparagraph of the Accounting Directive if the subsidiary is itself an intermediate parent undertaking of a large group). In particular, the management report of the exempted undertaking must contain: the name and registered office of the parent undertaking that reports the information at group level; weblink(s) to the consolidated management report or consolidated sustainability reporting of the parent undertaking; and the information that the undertaking is exempted from the obligation to publish the individual sustainability statement (or the consolidated sustainability statement, if the subsidiary is itself an intermediate parent undertaking of a large group). If the parent undertaking is established in a third country, its consolidated sustainability reporting and the assurance opinion must be published in accordance with the law of the Member State by which the subsidiary

([74]) Article 19(1) third subparagraph Accounting Directive: *'To the extent necessary for an understanding of the undertaking's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters. In providing the analysis, the management report shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.'*

([75]) Article 29(1) Accounting Directive: *'The consolidated management report shall, as a minimum, in addition to any other information required under other provisions of this Directive, set out the information required by Articles 19 and 20, taking account of the essential adjustments resulting from the particular characteristics of a consolidated management report as compared to a management report in a way which facilitates the assessment of the position of the undertakings included in the consolidation taken as a whole.'*

([76]) Article 29a(7) Accounting Directive: '*A parent undertaking that complies with the requirements set out in paragraphs 1 to 5 of this Article shall be deemed to have complied with the requirements set out in the third subparagraph of Article 19(1) and Article 19a*'.

undertaking is governed, and the disclosures laid down in Article 8 of the Taxonomy Regulation (covering the activities carried out by the subsidiary undertaking) must be included either in the management report of the subsidiary undertaking or in the consolidated sustainability reporting carried out by the third-country parent undertaking.

If a Member State requires that a translation of the consolidated management report or the consolidated sustainability reporting of the parent undertaking is provided, such translation should either be certified (e.g. by the translator or by the authority in charge of certifying translations of the relevant Member State), or include a statement specifying that it was not certified.

Under Articles 19a(10) and 29a(9) of the Accounting Directive, large undertakings with securities admitted to trading on an EU regulated market – including where they are small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings and including where they are third-country undertakings – cannot avail of this exemption.

20) **Does the consolidated management report/consolidated sustainability reporting of the parent undertaking have to be already published when its subsidiary publishes its own management report in order for the subsidiary to be exempted from publishing its own sustainability statement?**

No. For the subsidiary undertaking to be exempted from publishing its own sustainability statement in accordance with Articles 19a(9) or 29a(8) of the Accounting Directive, the management report that the subsidiary undertaking publishes must contain a weblink to the consolidated management report or consolidated sustainability reporting of the parent undertaking ([77]). Where that consolidated management report or consolidated sustainability reporting is not yet available at the time of publication of the subsidiary undertaking's management report, the subsidiary undertaking claiming the exemption can make reference in its management report to a general weblink at which the relevant documents will be available in the future. The Union subsidiary could consider, for instance, obtaining from the parent undertaking a declaration that it guarantees the commitments entered into by the subsidiary undertaking and publishing that declaration together with its management report within the deadline set by its own Member State.

21) **Does the consolidated management report or the consolidated sustainability reporting of the parent undertaking have to be available in a language accepted by the Member State by whose national law the subsidiary undertaking is governed in order for the subsidiary to be exempted from publishing its own sustainability statement?**

The Member State by whose national law the subsidiary undertaking is governed may require that the consolidated management report (or, where applicable, the consolidated sustainability reporting of the parent undertaking) is published in a language that such Member State accepts, and that any necessary translation into such language is provided. In this case, these requirements must be met in order for the subsidiary undertaking to be exempted from publishing its own sustainability statement ([78]).

22) **How should the exempted subsidiary report the fact that it is exempted?**

([77]) Article 19a(9) second subparagraph, point (a), point (ii) and Article 29a(8) second subparagraph, point (a), point (ii) Accounting Directive: *'the weblinks to the consolidated management report of the parent undertaking or, where applicable, to the consolidated sustainability reporting of the parent undertaking, as referred to in the first subparagraph of this paragraph, and to the assurance opinion referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive or to the assurance opinion referred to in point (b) of this subparagraph*'.

([78]) Articles 19a(9) third subparagraph and 29a(8) third subparagraph Accounting Directive.

Based on Articles 19a(9) and 29a(8) of the Accounting Directive, the exempted subsidiary must include in its management report the information that it is exempted from the obligation to publish an individual sustainability statement (or a consolidated sustainability statement, if the subsidiary is itself an intermediate parent undertaking of a large group) ([79]).

23) **Should the management report of the exempted subsidiary be in a specific publication format?**

Where a subsidiary avails of the exemption in Article 19a(9) or 29a(8) of the Accounting Directive, the general rules on the publication of the management report apply, including the obligation to submit the management report to the national Business Register pursuant to Article 30 of the Accounting Directive in conjunction with the provisions in Chapter III of title I of the Company Law Directive. The digital requirements for sustainability reporting set out in Article 29d of the Accounting Directive do not apply. Where the subsidiary availing of the exemption in Article 19a(9) or 29a(8) of the Accounting Directive has transferable securities admitted to trading on an EU regulated market, it will also have to comply with the general requirements set out by Article 4 of the Transparency Directive for the publication of the management report within the annual financial report (i.e. use of the European Single Electronic Format (ESEF) established by the ESEF Delegated Regulation and publication of the annual financial report within four months from the end of the financial year).

24) **Can large undertakings admitted to trading on an EU regulated market avail of the exemptions under Articles 19a(9) and 29a(8) of the Accounting Directive?**

No. Under Articles 19a(10) and 29a(9) of the Accounting Directive, large undertakings with transferable securities admitted to trading on an EU regulated market – including where they are small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings and including where they are third-country undertakings – cannot be exempted from reporting sustainability information. They will therefore have to report sustainability information pursuant to Article 4(5) of the Transparency Directive and to Articles 19a/29a of the Accounting Directive.

25) **How can an undertaking comply with the obligation to prepare and publish an individual or a consolidated sustainability statement when it is not required to prepare and publish an individual or a consolidated management report?**

An undertaking that must report sustainability information and that is not required to prepare and publish an individual or a consolidated management report may publish the individual or consolidated sustainability statement in a separate document. This principle also applies to the consolidated sustainability reporting of a third-country parent undertaking for its subsidiaries to be exempted under Articles 19a(9) and 29a(8) of the Accounting Directive.

However, that separate document – which includes the individual or consolidated sustainability statement – must comply with the format and the mark-up requirements set out in Article 29d of the Accounting Directive ([80]).

26) **How can an undertaking comply with the obligation to prepare and publish a consolidated sustainability statement when it is exempted from preparing consolidated financial statements?**

([79]) Article 19a(9) second subparagraph, point (a), point (iii) and Article 29a(8) second subparagraph, point (a), point (iii) Accounting Directive: '*the information that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article*'.

([80]) Article 29d Accounting Directive: '*1. Undertakings subject to the requirements of Article 19a of this Directive shall prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815 (26) and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in that Delegated Regulation. 2. Parent undertakings subject to the requirements of Article 29a shall prepare their consolidated management report in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815 and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in that Delegated Regulation.*'

An undertaking that must prepare and publish a consolidated sustainability statement without having to prepare and publish the corresponding consolidated financial statements will need to include in the consolidated sustainability statement the financial information necessary to understand the undertaking's impacts on sustainability matters and to understand how sustainability matters affect the undertaking's development, performance and position ([81]).

ESRS

27) **Which set of European Sustainability Reporting Standards (ESRS) shall undertakings use for the preparation of the sustainability information under Articles 19a and 29a of the Accounting Directive?**

All undertakings falling within the scope of Articles 19a and 29a of the Accounting Directive shall use, by default, the ESRS adopted under Article 29b of the Accounting Directive (ESRS). The first set of ESRS was adopted by the European Commission via Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023.

For the preparation of the individual sustainability statement under Article 19a of the Accounting Directive, SMEs (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market, as well as small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings, may alternatively use the proportionate ESRS that will be adopted pursuant to Article 29c of the Accounting Directive (LSME ESRS). See also FAQ 28.

28) **Which undertakings may use LSME ESRS to prepare their individual sustainability statement as an alternative to the ESRS adopted under Article 29b of the Accounting Directive?**

The undertakings that may use LSME ESRS to prepare their individual sustainability statement are:

— SMEs (excluding micro undertakings) with transferable securities admitted to trading on an EU regulated market;

— small and non-complex institutions ([82]), provided that they are either (i) large undertakings; or (ii) SMEs (excluding micro undertakings) with transferable securities admitted to trading on an EU regulated market;

([81]) This reasoning is based on Article 19a(3) third subparagraph and Article 29a(3) third subparagraph Accounting Directive: *'Where applicable, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, the other information included in the management report in accordance with Article 19, and the amounts reported in the annual financial statements.*'. 'Where *applicable*' is meant to refer to the situations where financial statements are not being prepared and published by the undertaking.

([82]) Defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013 as 'an institution that meets all the following conditions: (a) it is not a large institution; (b) the total value of its assets on an individual basis or, where applicable, on a consolidated basis in accordance with this Regulation and Directive 2013/36/EU is on average equal to or less than the threshold of EUR 5 billion over the four-year period immediately preceding the current annual reporting period; Member States may lower that threshold; (c) it is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning in accordance with Article 4 of Directive 2014/59/EU; (d) its trading book business is classified as small within the meaning of Article 94(1); (e) the total value of its derivative positions held with trading intent does not exceed 2 % of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5 %, both calculated in accordance with Article 273a(3); (f) more than 75 % of both the institution's consolidated total assets and liabilities, excluding in both cases the intragroup exposures, relate to activities with counterparties located in the European Economic Area; (g) the institution does not use internal models to meet the prudential requirements in accordance with this Regulation except for subsidiaries using internal models developed at the group level, provided that the group is subject to the disclosure requirements laid down in Article 433a or 433c on a consolidated basis; (h) the institution has not communicated to the competent authority an objection to being classified as a small and non-complex institution; (i) the competent authority has not decided that the institution is not to be considered a small and non-complex institution on the basis of an analysis of its size, interconnectedness, complexity or risk profile'. These institutions may fall within the definition of large undertakings if they meet the thresholds under Article 3(7) of the Accounting Directive.

— captive insurance undertakings ([83]) provided they are either: (i) large undertakings; or (ii) SMEs (excluding micro undertakings) with transferable securities admitted to trading on an EU regulated market; and

— captive reinsurance undertakings ([84]) provided they are either: (i) large undertakings; or (ii) SMEs (excluding micro undertakings) with securities admitted to trading on an EU regulated market.

VALUE CHAIN

29) **ESRS require undertakings to use estimates if they cannot obtain all necessary value chain information after having made reasonable efforts to do so (ESRS 1, General requirements, paragraph 69). What constitutes 'reasonable effort'?**

The concept of 'reasonable effort' is used to determine when an undertaking shall report an estimate of value chain information instead of reporting information collected from actors in its value chain.

Paragraph 65 of ESRS 1 (General requirements) sets out the purpose of including value chain information in the sustainability statement. It states that '*the undertaking shall include material value chain information when this is necessary to: (a) allow users of sustainability statements to understand the undertaking's material impacts, risks and opportunities; and/or (b) produce a set of information that meets the qualitative characteristics of information (see Appendix B of this Standard)*'.

Paragraph 68 of ESRS 1 (General requirements) states: '*The undertaking's ability to obtain the necessary upstream and downstream value chain information may vary depending on various factors, such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. When the undertaking does not have the ability to control the activities of its upstream and/or downstream value chain and its business relationships, obtaining value chain information may be more challenging.*'

Paragraph 69 of ESRS 1 (General requirements) states: '*There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 63 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information, such as sector-average data and other proxies.*'

Paragraph 70 of ESRS 1 (General requirements) recognises that it may be challenging to obtain value chain information when the relevant actor in the value chain is an SME or another undertaking that is itself not subject to the reporting requirements of the Corporate Sustainability Reporting Directive.

Paragraph 71 of ESRS 1 (General requirements) makes a distinction between reporting on policies, actions and targets, and reporting on metrics. With regard to policies, actions and targets, it states that the undertaking shall report value chain information '*to the extent that those policies, actions and targets involve actors in the value chain*'. With reference to metrics, it states that '*in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, for example, when calculating the undertaking's GHG Scope 3 emissions*'.

Paragraph 72 clarifies that: '*The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 and section 7.2 Sources of estimation and outcome uncertainty of this Standard).*'

([83]) Defined in point (2) of Article 13 of Directive 2009/138/EC.
([84]) Defined in point (5) of Article 13 of Directive 2009/138/EC.

The undertaking should determine reasonable effort as referred to in paragraph 69 of ESRS 1 (General requirements) taking into consideration its specific facts and circumstances as well as the conditions of the external environment in which it operates. What constitutes reasonable effort is therefore likely to vary from undertaking to undertaking.

It is expected that undertakings will more frequently have recourse to the use of estimates in the first years of application of the reporting requirements and that the use of estimates will become less common as the ability of undertakings and the actors in their value chains to share sustainability information improves over time.

In all cases the undertaking should consider whether the use of estimates is likely to affect the quality of the reported information. The use of estimates could, in some circumstances, enhance the quality of reported information, for example if it helps to ensure that information about the impacts, risks and opportunities is neutral, or if the collected information would not be of the appropriate reliability. In these circumstances the use of estimates would contribute to a more faithful representation of the phenomena that the information purports to represent and the reporting undertaking is therefore more likely to use estimates. In other circumstances the use of estimates could reduce the quality of the reported information, for example if it results in information that is less accurate and/or less complete and therefore results in a less faithful representation of the phenomena that it purports to represent.

When considering the specific facts and circumstances of the undertaking and the conditions of the external environment in which it operates in order to determine reasonable effort, the following criteria could offer useful guidance. Any one of these criteria could on its own be sufficient to determine that reasonable effort has been made, or the criteria could be applied in combination.

— **The size and resources of the reporting undertaking in relation the scale and complexity of its value chain.** What constitutes reasonable effort for a larger, well-resourced undertaking might not be considered reasonable for a smaller, typically less well-resourced undertaking. The size and resources of the undertaking should also be considered in relation to the scale and complexity of its value chain. For example, what constitutes reasonable effort for a larger undertaking with a large number of suppliers for multiple different products, and/or with supply chains that comprise many tiers, might be considered unreasonable for a smaller undertaking with a similarly complex value chain.

— **The technical readiness of the reporting undertaking to collect value chain information.** For example, what constitutes reasonable effort for a very large undertaking with substantial prior experience of collecting sustainability information from actors in its value chain might not be considered reasonable in the case of a smaller undertaking with no such prior experience. The technical readiness of undertakings to collect value chain information is expected to improve over time.

— **The availability of tools to access and share value-chain information.** What constitutes reasonable effort may be influenced by the availability of efficient and commonly used tools, including digital tools, to share value chain information between undertakings. The availability of such tools is likely to be limited in the first years of applying the ESRS but should improve over time, including as a result of the voluntary SME sustainability reporting standards currently being developed by EFRAG (VSME). This means that undertakings are more likely to have recourse to the use of estimates in the first years of applying the ESRS than they will do in later reporting cycles.

— **The size and resources of the actor in the value chain.** What constitutes reasonable effort may be influenced by the size and resources of the actor in the value chain from which information is expected. SMEs in particular may not have the necessary resources to easily and quickly provide the information that may be of interest to the reporting undertaking, which in turn makes it harder for the reporting undertaking to gather the necessary value chain information from SMEs. Where the value chain actor is an SME, the reporting undertaking is therefore more likely to have recourse to the use of estimates. In general, the application of reasonable effort by the reporting undertaking should not result in expectations on the actor in the value chain to apply unreasonable effort.

— **The technical readiness of the actor in the value chain.** What constitutes reasonable effort may be influenced by the technical readiness of the actor in the value chain to provide sustainability information. The technical readiness of actors in the value chain should improve over time, which implies that undertakings are more likely to have recourse to the use of estimates in the first years of applying the ESRS than they will do in later reporting cycles.

— **Level of influence and buying power.** What constitutes reasonable effort may be influenced by the existing level of control of the reporting undertaking over the actor in the value chain and by the relative buying power of the reporting undertaking compared to other undertakings. For example, less effort may be required to obtain information from an actor in the value chain that is partly owned by the reporting undertaking or that generates a high proportion of its own turnover through sales to the reporting undertaking. This means that undertakings are more likely to have recourse to the use of estimates in the case of actors in the value chain which they do not partly own or for which they only represent a small proportion of turnover.

— **Connected to the level of influence, the 'proximity' of the actor in the value chain.** The 'proximity' of the actor in the value chain to the reporting undertaking may be a consideration in determining what constitutes reasonable effort, since less effort is usually required to obtain information from a tier 1 supplier or a direct customer than from other actors in the value chain. This means that undertakings are more likely to have recourse to the use of estimates in the case of actors in the value chain that are not tier 1 suppliers or direct customers.

30) **What should an SME expect to receive in terms of requests for sustainability information as a consequence of the CSRD and ESRS?**

Paragraphs 132 and 133 of ESRS 1 (General requirements) set out transitional provisions that limit the value chain information that undertakings within the scope of the CSRD have to report and/or collect from actors in their value chain during the first 3 years ([85]). The extent to which SMEs are asked to provide sustainability information by undertakings as a consequence of the CSRD and ESRS will, during the first 3 years of implementation, be strongly influenced by whether undertakings that fall within the scope of CSRD make use of these transitional provisions regarding value chain reporting.

Notwithstanding the transitional provisions referred to above, SMEs should expect undertakings that fall under the scope of CSRD to apply 'reasonable effort' to collect from actors in their value chains the information they need in order to comply with ESRS. In accordance with the answer to the previous question, the size and resources, the technical readiness and the proximity of the actor in the value chain are among the criteria that can be used to establish what constitutes 'reasonable effort'. Therefore, smaller SMEs that have never voluntarily reported sustainability information, that are not connected with severe negative impacts and are not 1st tier suppliers or customers of undertakings that fall within the scope of the CSRD should, at least during the first years of application of the reporting requirements, be less exposed to expectations to have and share sustainability information. Larger SMEs that have previously reported sustainability information (for example because they apply EMAS or other environmental or sustainability certification or reporting schemes) and SMEs that are 1st tier suppliers or customers of undertakings that fall within the scope of the CSRD may be exposed to higher expectations to have and share sustainability information.

([85]) Paragraph 132: '*For the first 3 years of the undertaking's sustainability reporting under the ESRS, in the event that not all the necessary information regarding its upstream and downstream value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.*' Paragraph 133: '*For the first 3 years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain and in order to limit the burden for SMEs in the value chain: (a) when disclosing information on policies, actions and targets in accordance with ESRS2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and (b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.*'

EFRAG is currently developing two sustainability reporting standards for SMEs: a mandatory one for listed SMEs (LSME ESRS) and a voluntary one for non-listed SMEs (VSME). LSME ESRS will establish the maximum level of sustainability information that ESRS can require an undertaking that falls within the scope of the CSRD to obtain from SMEs in its value chain. VSME will be designed to become a reference point for all actors in the market, to ensure that the reporting effort of CSRD and non-CSRD undertakings is proportionate.

31) **Until when does the transitional period for the disclosure of information in the value chain apply? Should the commencement date for the three-year transitional period be different for each type of undertaking?**

Chapter 10.2 of ESRS 1 sets out transitional provisions related to chapter 5 on value chains. The transitional period for the disclosure of information required from the value chain applies for the first 3 financial years of application of the reporting requirements, for each undertaking. For example, if an undertaking falls within the scope of Articles 19a or 29a of the Accounting Directive as of financial year 2024, then it may avail of the transitional period for value chain reporting for financial years 2024, 2025 and 2026.

ARTICLE 8 TAXONOMY REGULATION DISCLOSURES

32) **Do undertakings have to include Article 8 Taxonomy Regulation disclosures in their sustainability statement?**

Yes, undertakings in the scope of Articles 19a or 29a of the Accounting Directive must include Article 8 Taxonomy Regulation disclosures in their sustainability statements.

33) **If an SME with transferable securities admitted to trading on an EU regulated market avails of the 2-year opt-out from sustainability reporting until 2028, does it have to still include Article 8 Taxonomy disclosures in its management report?**

No. Article 8 Taxonomy Regulation applies to all undertakings required to prepare and publish a sustainability statement under Articles 19a and 29a of the Accounting Directive. However, if an SME (excluding micro-undertakings) with transferable securities admitted to trading on an EU regulated market decides not to include in its management report the sustainability statement under Article 19a(7) of the Accounting Directive – where Article 8 Taxonomy Regulation disclosures would need to be included – it is not required to disclose Article 8 Taxonomy Regulation disclosures.

34) **Are undertakings required to include in their management report the information to be disclosed under Article 8 Taxonomy Regulation even if they are exempted from preparing and publishing their sustainability statement under Article 19a(9) and 29a(8) of the Accounting Directive?**

Yes, but only if the parent undertaking is established in a third country and Article 8 Taxonomy Regulation disclosures are not included in the parent's consolidated sustainability reporting. Where the undertaking avails of the exemption from the obligation to disclose a sustainability statement under Articles 19a(9) or 29a(8) of the Accounting Directive, if the parent undertaking is established in a third country, Article 8 Taxonomy Regulation disclosures, covering the activities carried out by the exempted subsidiary undertaking established in the Union and its subsidiary undertakings, must be included in the management report of the exempted subsidiary undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country ([86]).

LANGUAGE REQUIREMENTS

35) **In which language should the sustainability statement be drafted and published?**

([86]) Articles 19a(9) second subparagraph, point (c) Accounting Directive.

Undertakings subject to Articles 19a and 29a of the Accounting Directive should publish the management report (including the sustainability statement), together with the opinion and statement submitted by the statutory auditor or audit firm referred to in Article 34 Accounting Directive, in accordance with Article 30(1) of the Accounting Directive, which refers to the laws laid down by each Member State in accordance with Chapter III of Title 1 of the Company Law Directive. In particular, Article 21 of the Company Law Directive clarifies that '*1. Documents and particulars to be disclosed pursuant to Article 14 shall be drawn up and filed in one of the languages permitted by the language rules applicable in the Member State in which the file referred to in Article 16(1) is opened*'. Therefore, the language that undertakings shall use to publish the sustainability statement included in the management report must be a language specified by the laws of the relevant Member State adopted in accordance with Article 21 of the Company Law Directive.

If an undertaking subject to Articles 19a and 29a of the Accounting Directive has securities listed on an EU regulated market, it will also have to comply with the disclosure obligations set out in the Transparency Directive concerning the management report. The linguistic regime for 'regulated information', which includes the management report as part of the annual financial report, is laid down by each Member State in accordance with Article 20 of the Transparency Directive.

DIGITALISATION (FORMAT AND DIGITAL TAGGING)

36) **What are the digital format requirements for the management report that includes a sustainability statement?**

Article 29d of the Accounting Directive requires undertakings that have to carry out sustainability reporting to prepare their management report (at consolidated level, where applicable) in the electronic reporting format specified in Article 3 of the ESEF Delegated Regulation (i.e. XHTML) and to mark-up their sustainability statement within the management report in accordance with the digital taxonomy to be specified by way of an amendment to the ESEF Delegated Regulation.

37) **Do undertakings also have to mark-up Article 8 Taxonomy Regulation disclosures?**

Yes. Article 29d of the Accounting Directive requires undertakings that have to publish a sustainability statement in their management report to mark-up their sustainability statement, including the disclosures provided for in Article 8 of the Taxonomy Regulation, in accordance with the digital taxonomy to be specified by way of an amendment to the ESEF Delegated Regulation.

38) **What are the format requirements that undertakings need to comply with pending the adoption by the European Commission of a digital taxonomy for the mark-up of the sustainability statement?**

Article 29d of the Accounting Directive requires undertakings that have to publish a sustainability statement in their management report to prepare their management report in the electronic reporting format specified in Article 3 of the ESEF Delegated Regulation (i.e. in XHTML) and to mark-up the sustainability statement within the management report in accordance with the specific digital taxonomy that will be adopted by way of an amendment to the ESEF Delegated Regulation. Until the adoption of this digital taxonomy, undertakings are not required to mark-up their sustainability statements. Considering that the sustainability statement will become machine-readable only once it is both included in an XHTML document and marked-up with a digital taxonomy, pending the adoption of the digital taxonomy undertakings are also not required to prepare the management report in XHTML.

PUBLICATION

39) **What is the deadline for the publication of the management report that includes the sustainability statement?**

Article 30 of the Accounting Directive sets out the rules for the publication of the management report (which includes the sustainability statement prepared under Articles 19a/29a of the Accounting Directive, where relevant), which must be published together with the assurance opinion/report and within at the latest 12 months of the balance sheet date of the financial year for which the report is drawn up, as provided for by each Member State.

Undertakings that are issuers of securities admitted to trading on an EU regulated market are also required to publish their annual financial report (which includes the management report, therefore the sustainability statement) at the latest four months after the end of each financial year, based on Article 4(5) of the Transparency Directive, which cross-refers to Articles 19a and 29a of the Accounting Directive.

SUPERVISION

40) **Which authorities are in charge of supervising compliance with the requirements for the sustainability statement prepared in accordance with Articles 19a and 29a of the Accounting Directive?**

The CSRD does not introduce any changes to the pre-existing EU supervisory regime, which requires Member States to have in place penalties that are effective, proportionate and dissuasive for the cases of non-compliance by limited liability undertakings (Article 51 of the Accounting Directive), and to establish a national supervisory authority with powers to supervise compliance by issuers of transferable securities admitted to trading on an EU regulated market (Articles 28 and subsequent of the Transparency Directive). This means that undertakings' compliance with sustainability reporting requirements will be subject to the national sanctioning regime in place for the management report of limited liability undertakings (subject to the Accounting Directive) and of issuers of transferable securities admitted to trading on an EU regulated market (subject to the Transparency Directive). As regards issuers of transferable securities admitted to trading on an EU regulated market, ESMA is also required to issue guidelines on the supervision of sustainability reporting by national competent authorities pursuant to Article 28d Transparency Directive.

In any case, the sustainability statement to be included in the management report must always be subject to assurance by a statutory auditor, or by an Independent Assurance Services Provider (IASP) where allowed by a Member State, under Article 34 of the Accounting Directive.

SECTION IV

## FAQS ON SUSTAINABILITY INFORMATION REPORTED UNDER ARTICLE 40A OF THE ACCOUNTING DIRECTIVE

SCOPE AND APPLICATION DATE

41) **Does the ultimate third-country parent undertaking have to have a certain legal form in order to fall under the scope of Article 40a of the Accounting Directive?**

No. The legal form of the ultimate third-country parent undertaking is irrelevant for the purposes of Article 40a of the Accounting Directive.

42) **What are the obligations for the EU subsidiary or the EU branch under Article 40a of the Accounting Directive? Is the EU subsidiary/branch required to prepare the sustainability report or just to publish and make accessible the sustainability report prepared by its parent undertaking?**

If a third-country undertaking falls within the scope of Article 40a of the Accounting Directive, then either its EU subsidiary or EU branch will have to publish and make accessible a sustainability report on behalf of its third-country parent undertaking. The obligation to prepare the sustainability report does not explicitly fall on the EU subsidiary or branch. This means that the third-country parent may prepare the report, which will then be published and made accessible by the EU subsidiary or branch, either by filing it in an EU business register or by publishing it on its website. Alternatively, the EU subsidiary or branch may prepare, publish and make accessible the report on behalf of its third-country parent undertaking.

43) **Does each EU subsidiary or EU branch have to publish a sustainability report under Article 40a of the Accounting Directive? Or is it sufficient that only one of the EU subsidiaries or branches publishes the report and the other ones simply provide a link to that sustainability report?**

Article 40a of the Accounting Directive requires that at least one sustainability report be disclosed by one subsidiary or branch in each Member State ('*A Member State shall require that a subsidiary undertaking established in its territory* […]'). To avoid double reporting by the subsidiaries and branches of the same third-country undertaking, Member States may allow for one subsidiary or branch established or located in its territory to comply with the obligation in Article 40a of the Accounting Directive by providing a link to the sustainability report published by another Union subsidiary or branch of the third-country undertaking.

ESRS

44) **Which ESRS should be used for the preparation of the sustainability report under Article 40a of the Accounting Directive?**

The sustainability report referred to in Article 40a of the Accounting Directive must be prepared in accordance with the sustainability reporting standards to be adopted under Article 40b of the Accounting Directive.

By way of derogation, Article 40a(2) second subparagraph of the Accounting Directive allows the sustainability report to be prepared in accordance with the sustainability reporting standards adopted under Article 29b of the Accounting Directive (i.e. ESRS) or in a manner equivalent to the sustainability reporting standards adopted under Article 29b of the Accounting Directive, as determined by a Commission decision on equivalence. This provision should be read in the sense that a third-country parent undertaking falling under the scope of Article 40a of the Accounting Directive may choose to publish a consolidated sustainability statement under Article 29a of the Accounting Directive (prepared in accordance with the standards adopted under Article 29b), instead of having its EU subsidiary or EU branch publish a sustainability report at the group level under Article 40a of the Accounting Directive. In that case, the exemptions for the EU subsidiary set out in Articles 19a(9) and 29a(8) of the Accounting Directive would apply.

45) **What happens if the EU subsidiary/branch does not manage to collect all the necessary information for the preparation of the sustainability report?**

In the event that not all the required information is provided, the subsidiary undertaking or branch shall draw up, publish and make accessible the sustainability report, containing all information in its possession, obtained or acquired, and issue a statement indicating that the third-country undertaking did not make the necessary information available (Art. 40a(2) fourth subparagraph of the Accounting Directive).

ARTICLE 8 TAXONOMY REGULATION DISCLOSURES

46) **Do undertakings have to include Art. 8 Taxonomy Disclosures in the sustainability report prepared under Article 40a of the Accounting Directive?**

No. Undertakings reporting in accordance with Article 40a of the Accounting Directive do not have to include Article 8 Taxonomy Regulation disclosures in the sustainability report.

47) **If a third-country parent undertaking subject to Article 40a of the Accounting Directive chooses to prepare and publish a consolidated sustainability statement prepared in accordance with ESRS instead of a sustainability report, is that third-country parent undertaking required to report Article 8 Taxonomy Regulation disclosures?**

A third-country parent undertaking subject to Article 40a of the Accounting Directive that chooses to publish a consolidated sustainability statement prepared in accordance with ESRS instead of a sustainability report is not required to report under Article 8 Taxonomy Regulation.

However, in order for the Union subsidiaries of that third-country parent to be exempted from their sustainability reporting requirements under Articles 19a/29a of the Accounting Directive (where these Union subsidiaries are subject to sustainability reporting requirements under Articles 19a/29a Accounting Directive), Article 8 Taxonomy Regulation disclosures covering the activities carried out by those Union subsidiaries must be included in their own management report or in the consolidated sustainability reporting carried out by the third-country parent undertaking ([87]).

EXEMPTION RULES

48) **Can the Union subsidiaries subject to Article 40a of the Accounting Directive benefit from the exemption regime under Article 19a(9) and 29(8) of the Accounting Directive?**

The sustainability statement prepared in accordance with Articles 19a/29a of the Accounting Directive and the sustainability report prepared in accordance with Article 40a of the Accounting Directive have a different content and operate under separate regimes.

Therefore, a Union subsidiary publishing a sustainability report at the group level of its third-country parent company according to the provisions of Article 40a does not exempt the Union subsidiary itself nor its own subsidiaries from complying with the reporting obligations of Articles 19a and/or 29a.

However, a third-country parent undertaking falling under the scope of Article 40a may choose to publish a consolidated sustainability statement under Article 29a (prepared in accordance with the sustainability reporting standards adopted under Article 29b or in a manner equivalent to those sustainability reporting standards), instead of having its EU subsidiary or EU branch publish a sustainability report at the group level under Article 40a. In this case, the EU subsidiary is exempted from publishing the sustainability report under Article 40a, provided that the conditions set out in Articles 19a(9) and 29a(8) are met.

LANGUAGE AND FORMAT

49) **In which language should the sustainability report be published?**

The linguistic regime for the sustainability report is laid down by each Member State in accordance with Article 21 of the Company Law Directive.

50) **What are the format requirements for the sustainability report to be provided under Article 40a of the Accounting Directive?**

The Accounting Directive does not require a specific format for the publication of the sustainability report. However, Article 33a – introduced by Directive (EU) 2023/2864 for the functioning of the European Single Access Point (ESAP Omnibus Directive) ([88]) – requires subsidiaries and branches subject to Article 40a to submit to the collection body designated by the Member State the sustainability report in a data extractable format together with the relevant accompanying metadata ([89]). The Commission is also empowered to adopt implementing measures to specify further metadata to accompany the sustainability report and to require a machine-readable format.

PUBLICATION

51) **When should the undertakings/branches publish the sustainability report?**

([87]) Article 19a(9) second subparagraph, point (c), and Article 29a(8) second subparagraph, point (c) of the Accounting Directive.

([88]) Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point (OJ L, 2023/2864, 20.12.2023, ELI: http://data.europa.eu/eli/dir/2023/2864/oj).

([89]) Article 33a Accounting Directive as amended by the ESAP package.

Article 40d(1) of the Accounting Directive requires subsidiary undertakings and branches referred to in Article 40a(1) of the Accounting Directive to publish the sustainability report – together with the assurance opinion and, where applicable, the statement mentioned in the fourth subparagraph of Article 40a(2) of the Accounting Directive – within 12 months of the balance sheet date of the financial year for which the report is drawn up.

SUPERVISION

52) **Which authorities are in charge of supervising compliance with the requirements for the sustainability report?**

The CSRD does not introduce any changes to the pre-existing sanctioning regime under the Accounting Directive, which requires Member States to have in place penalties that are effective, proportionate, and dissuasive for the cases of non-compliance by undertakings subject to Accounting Directive requirements ([90]). Undertakings' compliance with sustainability reporting requirements is therefore subject to the national sanctioning regime in place for the management report of the undertakings subject to the Accounting Directive. In any case, the sustainability report must be always subject to assurance by an assurance provider under Article 40a(3) of the Accounting Directive ([91]).

SECTION V

## FAQS ON THE ASSURANCE OF SUSTAINABILITY REPORTING

APPROVAL OF STATUTORY AUDITORS AND AUDIT FIRMS

53) **Shall the natural persons who carry out the statutory audits on behalf of the audit firm satisfy the conditions imposed by Articles 4 and 6 to 12 of the Audit Directive, including the additional specific requirements of Articles 7(2), Article 8(3), the second subparagraph of Article 10(1) and the fourth subparagraph of Article 14(2) of the Audit Directive? Shall the natural persons holding voting rights in an audit firm satisfy also the conditions imposed by Articles 4 and 6 to 12 of the Audit Directive, including the additional specific requirements of Articles 7(2), Article 8(3), the second subparagraph of Article 10(1) and the fourth subparagraph of Article 14(2) of the Audit Directive, even if the audit firm does not plan to provide assurance of sustainability reporting? What about the requirements for the natural persons who compose the administrative or management body of the audit firm?**

Article 3 of the Audit Directive – regulating the approval of statutory auditors and audit firms – provides that competent authorities may approve statutory auditors and audit firms only if certain conditions are met.

The conditions referred to in Article 3(3) of the Audit Directive for the approval of statutory auditors cross-refer to Articles 4 and 6 to 10 of the Audit Directive, while the conditions referred to in Article 3(4) of the Audit Directive for the approval of audit firms cross-refer to Articles 4 and 6 to 12 of the Audit Directive.

The wording of Article 4 of the Audit Directive covering good repute is broad enough to also apply to the assurance of sustainability reporting, while Articles 6 to 12 of the Audit Directive have been amended in order to explicitly apply to the assurance of sustainability reporting.

([90]) Article 51 Accounting Directive: '*Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive*'.

([91]) Article 40a(3) first subparagraph: '*Member States shall require that the sustainability report* […] *is published accompanied by an assurance opinion expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the national law of the third-country undertaking or of a Member State*.'

Where a statutory auditor or audit firm wishes to be approved to provide assurance on sustainability reporting it will have to comply with all the relevant requirements in national law transposing the Audit Directive as regards the assurance of sustainability reporting, including those referred to in Article 3(4) of the Audit Directive. Compliance with requirements for the assurance of sustainability reporting is not mandatory for the approval under Article 3 of the Audit Directive of a statutory auditor or audit firm that does not provide assurance on sustainability reporting.

54) **What are the approval requirements for sustainability assurance for statutory auditors approved before 1 January 2024 or that on 1 January 2024 were undergoing the approval process?**

For statutory auditors to be able to provide assurance of sustainability reporting they need to be approved and then comply with the additional requirements for sustainability.

More specifically, based on Article 14a third subparagraph of the Audit Directive, the statutory auditors approved before 1 January 2026 – that were either approved before 1 January 2024 or that on 1 January 2024 were undergoing the approval process – that want to carry out also sustainability assurance, do not have to comply with Articles 7(2), 8(3), 10(1) 2nd subparagraph, and 14(2) 4th subparagraph of the Accounting Directive but still need to acquire the necessary knowledge through continuing education.

55) **Can statutory auditors approved before 1 January 2026 apply indefinitely to be approved for sustainability assurance? Which requirements would apply for their approval?**

Under Article 14a third subparagraph of the Audit Directive, statutory auditors approved before 1 January 2026 who wish to carry out the assurance of sustainability reporting must acquire the necessary knowledge of sustainability reporting and the assurance of sustainability reporting, including of the subjects listed in Article 8(3) of the Audit Directive, via the continuing education referred to in Article 13 of the Audit Directive. Article 14a of the Audit Directive does not require additional examinations nor the acquisition of this knowledge to be done prior to obtaining the approval. The Audit Directive does not set out time limits for statutory auditors approved before 1 January 2026 to apply for carrying out sustainability assurance in compliance with these requirements.

56) **In order for the statutory auditor or the trainee to also be approved to carry out the assurance of sustainability reporting, will the three-year practical training required under Article 10(1) first subparagraph of the Audit Directive need to include eight months of practical training in the field of sustainability assurance or will it have to be extended by another eight months?**

For the statutory auditor or the trainee to also be approved to carry out the assurance of sustainability reporting, the three-year practical training required under Article 10(1) first subparagraph of the Audit Directive will need to include eight months of practical training on the assurance of annual and consolidated sustainability reporting or on other sustainability-related services.

The statutory auditor or trainee that has already completed the three-year practical training at the moment of applying for the approval to carry out assurance of sustainability reporting will have to perform an additional period of eight months of practical training on the assurance of annual and consolidated sustainability reporting or on other sustainability-related services.

Article 14a, first and second subparagraphs of the Audit Directive exempts from this requirement the following categories of professionals: statutory auditors that are approved or recognised to carry out statutory audits before 1 January 2024 and persons that on 1 January 2024 are undergoing the approval process provided they complete that process by 1 January 2026. Pursuant to Article 14a third subparagraph of the Audit Directive, these professionals will still need to acquire the necessary knowledge through continuing education.

57) **Under Article 10(1) second subparagraph of the Audit Directive, in order for the statutory auditor or the trainee to also be approved to carry out the assurance of sustainability reporting, at least eight months of the practical training referred to in the first subparagraph shall be on the assurance of annual and consolidated sustainability reporting or on other sustainability-related services. What is the correct interpretation of 'other sustainability-related services'?**

'*Other sustainability-related services*' should be understood as services related to sustainability reporting other than assurance. They could encompass, for example, consulting services on sustainability reports and the preparation of sustainability reports.

58) **Can a statutory auditor approved to carry out statutory audits before 1 January 2024 in Member State A be approved to carry out the assurance of sustainability reporting in Member State B, even though that statutory auditor is not approved to carry out the assurance of sustainability reporting in Member State A? For the registration in Member State B, does this auditor need to be registered as statutory auditor and as assurance service provider or can this auditor only be registered as assurance service provider?**

For the registration in Member State B, the statutory auditor needs to be approved as a statutory auditor in that Member State (see Articles 3(1) and 14(1) of the Audit Directive). If that is the case and the auditor wishes to be registered as an assurance services provider, the transitional regime under Article 14a of the Audit Directive will apply in Member State B (see also FAQ 54). Approval as an assurance services provider in Member State A is not required.

59) **A statutory auditor approved to carry out statutory audits after 1 January 2024 in Member State A, and who is also approved to carry out the assurance of sustainability reporting in that Member State, wants to be registered in Member State B. In this case does the statutory auditor need to be registered in Member State B as auditor and as assurance service provider or could this statutory auditor be registered only as assurance service provider?**

The statutory auditor should be registered as a statutory auditor and as assurance services provider in Member State B. The only entities that can be registered as assurance services providers without being auditors are the Independent Assurance Services Providers (IASPs).

ACCREDITATION AND APPROVAL OF INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS)

60) **Can natural persons be accredited as Independent Assurance Services Providers (IASPs)?**

Yes. Article 2 point (23) of the Audit Directive and Article 2 point (20) of the Accounting Directive define IASPs as '*a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of Directive 2013/34/EU*'. Regulation No 765/2008 also defines the conformity assessment body as '*a body that performs conformity assessment activities including calibration, testing, certification and inspection*'.

While Regulation (EC) No 765/2008 only refers to the accreditation of bodies, it is to be recalled that IASPs are not within the intended scope of that Regulation. The term '*body*' should be read as to include the case of natural persons to ensure a level playing field between IASPs and statutory auditors.

61) **IASPs established in a Member State can carry out the assurance of sustainability reporting in that territory, provided that they are subject to requirements equivalent to those set out in the Audit Directive. Does the equivalence of the requirements need to cover also Article 3a of the Audit Directive?**

Article 34(4) of the Accounting Directive requires IASPs to comply with requirements equivalent to the ones in the Audit Directive for them to be able to carry out sustainability assurance. These requirements include the non-exhaustive list set out in Article 34(4) of the Accounting Directive and an equivalence assessment with the assurance of sustainability reporting as defined in Article 2, point (22) of the Audit Directive.

To ensure the level playing field between IASPs and statutory auditors, IASPs should also comply with registration requirements equivalent to those set out in Article 3a of the Audit Directive.

ACCREDITED INDEPENDENT THIRD PARTY

62) **What is the 'accredited independent third party' referred to in Articles 34(6) of the Accounting Directive and 37(3) of the Audit Directive?**

Recital (63) CSRD reads '*Member States should ensure that when an undertaking is required by Union law to have elements of its sustainability reporting verified by an accredited independent third party, the report of the accredited independent third party should be made available either as an annex to the management report or by any other publicly accessible means. Such making available of that report should not pre-empt the outcome of the assurance opinion of which the third-party verification should remain independent. It should not entail any duplication of work between the auditor or the independent assurance services provider that expresses the assurance opinion and the accredited independent third party.*'

An 'accredited independent third party' is an entity, usually an expert other than the statutory auditor or Independent Assurance Services Provider (IASP), providing the assurance opinion on the sustainability statement, that might verify parts of the sustainability reporting, such as GHG emissions. The CSRD requires transparency as regards the results of its work and non-duplication with the work of the statutory auditors/IASPs ([92]).

INDEPENDENT ASSURANCE SERVICES PROVIDERS (IASPS)

63) **Will an Independent Assurance Services Provider (IASP) established in the territory of another Member State be able to perform tasks in a Member State that does not allow IASPs to carry out assurance on sustainability reporting in its territory?**

No. An IASP established in the territory of another Member State will not be able to provide assurance on sustainability reporting in a Member State that does not allow IASPs to carry out assurance on sustainability reporting in its territory.

Article 34(4) first subparagraph of the Accounting Directive provides Member States with the option to allow IASPs established in their territory to express the assurance opinion on sustainability reporting, provided that these IASPs are subject to requirements equivalent to those set out by the Audit Directive for statutory auditors that carry out the assurance of sustainability reporting. Article 34(5) first subparagraph of the Accounting Directive requires only Member States that have made use of this option to allow IASPs established in another Member State to carry out the assurance of sustainability reporting in their territory.

64) **If the IASP is established in a different Member State, who will have supervisory powers for the work performed by the IASP?**

Where the IASP carries out the assurance of sustainability reporting in the territory of another Member State (host Member State), the Member State where the IASP is established (home Member State) should be responsible for supervising the work of the IASP unless the host Member State decides to supervise the assurance of sustainability reporting carried out by IASPs in its territory ([93]). If the host Member State decides to supervise the assurance of sustainability reporting carried out in its territory by IASPs registered in another Member State, the host Member State shall: (i) not impose more stringent requirements or liability on such IASPs than those required for assurance of sustainability reporting by the national laws for the IASPs or auditors established in that host Member State; and (ii) inform other Member States about its decision to supervise the assurance of sustainability reporting carried out by IASPs established in other Member States.

([92]) Article 34(6) of the Accounting Directive and 37(3) second subparagraph of the Audit Directive.
([93]) Article 34(5) of the Accounting Directive.

65) **Once a Member State has allowed IASPs to be established on its territory, are national undertakings automatically allowed to resort to IASPs to carry out the assurance on sustainability reporting?**

Yes, undertakings will be allowed to resort to IASPs for the assurance of their sustainability statement once a Member State has allowed IASPs to carry out the assurance on sustainability reporting.

THIRD-COUNTRY ASSURANCE PROVIDERS

66) **Can third-country Independent Assurance Services Providers (IASPs) provide sustainability assurance in the Union?**

Based on Article 34(4) of the Accounting Directive, the IASPs established in the territory of a Member State may be allowed to provide the assurance of sustainability reporting.

The definition of IASP under Article 2 point (23) of the Audit Directive and Article 2 point (20) of the Accounting Directive requires its accreditation pursuant to Regulation 765/2008. While that Regulation only refers to the accreditation of bodies that are established in the territory of a Member State, it is to be recalled that IASPs are not within the intended scope of that Regulation. IASPs are carrying out assurance services for sustainability reporting. Hence, the scheme for authorisation of IASPs has to be interpreted in the light of the GATS (General Agreement on Trade in Services of the World Trade Organisation) commitments of the Member States and of the Union's bilateral agreements. Consequently, in the context of IASPs, Regulation 765/2008 has to be interpreted in such a way that third-country IASPs are allowed to provide the assurance of sustainability reporting in accordance with Member States's commitments.

CONFIDENTIALITY

67) **Are confidentiality requirements in Article 23 of the Audit Directive also applicable to professionals performing the assurance of sustainability reporting?**

Yes. Confidentiality requirements in Article 23 of the Audit Directive are also applicable to professionals performing the assurance of sustainability reporting. Where the Member State has allowed an IASP or a statutory auditor other than the one auditing the financial statements to perform the assurance of sustainability reporting, these assurance providers should be able to exchange information to appropriately coordinate.

ASSURANCE SERVICES

68) **What is the meaning of the term 'sustainability analysis' used in Article 8(3) point (b) of the Audit Directive?**

The term '*sustainability analysis*' was used as a parallel to '*financial analysis*' from the Audit Directive for statutory auditors. While 'financial analysis' refers to an assessment of the viability, stability, and profitability of a business, sub-business or project, 'sustainability analysis' should be considered as an assessment of the sustainability matters affecting a business and sustainability matters on which the business may have an impact.

FEES

69) **Would it be considered a breach of Article 25 of the Audit Directive if the fees for the assurance of sustainability reporting are lowered in the case the same statutory auditor also performs the statutory audit?**

Article 25 of the Audit Directive requires Member States to ensure that fees for statutory audits and the assurance of sustainability reporting are not influenced or determined by the provision of 'additional services' provided to the audited entity, which should be intended as 'services other than the statutory audit and assurance of sustainability reporting'. It does not regulate the relationship between the fees for statutory audits and assurance of sustainability reporting.

ASSURANCE OF THE SUSTAINABILITY STATEMENT PREPARED IN ACCORDANCE WITH ARTICLES 19a AND 29a ACCOUNTING DIRECTIVE

70) **What should the assurance provider express an opinion on, according to Article 34(1) of the Accounting Directive?**

Under Article 34(1) second subparagraph, point (aa) of the Accounting Directive, any undertaking subject to sustainability reporting under Articles 19a and 29a of the Accounting Directive must obtain an assurance opinion on their sustainability statement.

This assurance opinion is based on a limited assurance engagement as regards the compliance of the sustainability statement with the following requirements:

— the sustainability reporting requirements provided for in the Accounting Directive (including the compliance of the sustainability reporting with the ESRS adopted pursuant to Articles 29b/29c of the Accounting Directive, the process carried out by the undertaking to identify the information reported pursuant to those ESRS – i.e., the double materiality assessment process, and the compliance with the requirement to mark-up sustainability reporting in accordance with Article 29d of the Accounting Directive); and

— the reporting requirements provided for in Article 8 of the Taxonomy Regulation.

The assurance providers are expected to perform procedures that enable them to conclude that no matter has come to their attention to cause them to believe that the information included in the sustainability statement is not fairly presented, in all material respects, in accordance with ESRS as adopted by the Union and that it is not compliant with the legal requirements to mark-up sustainability information (i.e., the digital tagging) and with the legal requirements of Article 8 of the Taxonomy Regulation.

The first part of the conclusion referring to the fair presentation, in all material respects, in accordance with the ESRS entails an opinion on:

— whether the undertaking's sustainability statement, including the process to identify the information reported (i.e., the double materiality assessment process), are compliant with ESRS; and

— whether the outcome of this process has resulted in the disclosure of all material sustainability-related impacts, risks and opportunities of the undertaking in accordance with ESRS.

71) **Paragraph 121 ESRS 1 (General requirements) allows the undertaking to incorporate information in its sustainability statement by reference to its report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No 1221/2009. This provision is subject to the conditions of paragraph 120, including that the information incorporated by reference is subject to at least the same level of assurance as the sustainability statement. Is the undertaking's report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No 1221/2009 subject to at least the same level of assurance as the sustainability statement?**

Under Article 34(1) second subparagraph, point (aa) of the Accounting Directive, any undertaking subject to sustainability reporting under Articles 19a and 29a of the Accounting Directive must obtain an assurance opinion based on a limited assurance engagement. The undertaking's report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No 1221/2009 is subject to a validation performed by an environmental verifier and this validation can be considered to be at least at the same level of assurance as the CSRD limited assurance requirement.

72) **In the case of two different statutory auditors carrying out the audit of the financial statements and the assurance of the sustainability statement, which one of the two should express the opinion on whether the management report is consistent with the financial statements?**

Based on Article 34(1), second subparagraph, point (a)(i) of the Accounting Directive, the statutory auditor or audit firm carrying out the statutory audit of financial statements has to express an opinion on whether the management report is consistent with the financial statements for the same financial year. When a statutory auditor or an audit firm other than the one(s) carrying out the statutory audit of financial statements is in charge of expressing the assurance opinion on sustainability reporting, the statutory auditor or audit firm in charge of auditing the financial statements remains in charge of expressing an opinion on the consistency between management report and financial statements for the same financial year.

73) **In which document does the assurance opinion need to be included?**

In the assurance report ([94]). If the assurance opinion is given by the same auditor that does the audit of financial statements, Member States may allow auditors to include the assurance opinion as a separate section of the audit report.

74) **How should the assurance report be published? Are there any format requirements for the assurance report?**

Union law does not currently require a specific format for the audit report and/or its signature. However, Article 33a of the Accounting Directive as amended by the ESAP package, requires undertakings to submit the assurance report to the relevant ESAP collection body when they make it public and to use a data extractable format (or a machine-readable format, where required by Union or national law), together with the relevant accompanying metadata. The Commission is also empowered to adopt implementing measures to specify further metadata to accompany the assurance report and to require a machine-readable format.

75) **What assurance standards should be used by assurance providers of the sustainability statement pending the adoption of assurance standards by the European Commission?**

Based on Article 26(1) second subparagraph of the Audit Directive, Member States may apply national auditing standards, procedures or requirements as long as the Commission has not adopted an international auditing standard covering the same subject matter.

Given the qualitative characteristics of information required under ESRS 1 (Chapter 2 and Appendix B: relevance and faithful representation as well as comparability, verifiability and understandability) and in order to avoid fragmentation and ensure that practices are as consistent as possible during this transitional period, pending the adoption of Union assurance standards, the Commission has requested the Committee of European Auditing Oversight Bodies (CEAOB) to develop in 2024 non-binding guidelines for statutory auditors and other assurance services providers.

76) **Would it be possible for Member States to allow undertakings subject to CSRD requirements to assign, on a voluntary basis, an engagement to express an opinion based on a mixed form of assurance (i.e. a limited assurance on parts of the sustainability reporting and a reasonable assurance on other parts of the reporting – for example on specific key performance indicators)?**

Based on Article 34(1), second subparagraph, point (aa) of the Accounting Directive, the assurance opinion on the sustainability reporting has to be based on a limited assurance engagement ([95]). Considering that a reasonable assurance engagement provides for a higher level of assurance compared to a limited assurance engagement, the CSRD does not prevent an undertaking from deciding voluntarily to ask for an opinion based on reasonable assurance on the whole sustainability reporting or parts of it. This decision would be for the undertaking and not for the assurance provider.

([94]) Article 28a Audit Directive.

([95]) Based on Article 26a Audit Directive, the Commission is empowered to adopt sustainability assurance standards for limited assurance by 1 October 2026. The Commission is also empowered to adopt sustainability assurance standards for reasonable assurance by 1 October 2028, following an assessment to determine if reasonable assurance is feasible for auditors and for undertakings.

77) **Shall undertakings that report sustainability information in accordance with ESRS on a voluntary basis (such as SMEs without securities admitted to trading on an EU regulated market) be required to subject this information to assurance?**

The CSRD does not regulate sustainability reporting carried out on a voluntary basis. An undertaking carrying out sustainability reporting on a voluntary basis is therefore not required to subject its sustainability information to an assurance engagement.

NON-ASSURANCE SERVICES

78) **What are the non-audit service restrictions when a statutory auditor provides CSRD assurance services to an entity or group that is not a financial statement audit client?**

Under Article 25c(1) of the Audit Directive, a statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a Public Interest Entity (PIE) – or a member of the network – shall not provide to the PIE the prohibited non-audit services referred to in Article 5(1) second subparagraph, points (b), (c), (e) to (k) of the Audit Regulation.

Under Article 25c(2) of the Audit Directive, that statutory auditor or audit firm may provide to the PIE non-audit services other than:

— the prohibited non-audit services referred to in paragraph 1 of this Article; or

— if applicable (i.e. where the statutory auditor also carries out audits of financial statements), the prohibited non-audit services referred to in Article 5(1) second subparagraph of the Audit Regulation; or

— services considered by Member States to represent a threat to independence as referred to in Article 5(2) of that Regulation, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of the Audit Directive.

Therefore:

— when the audit firm carries out only the assurance of sustainability reporting of a PIE, it may provide non-audit services other than the prohibited ones referred to in Article 5(1) second subparagraph point (b), (c) and (e) to (k) of the Audit Regulation (since the latter pose a risk to the independence of the audit firm in case of carrying out the assurance of sustainability reporting);

— when the audit firm carries both the statutory audit and the assurance of sustainability reporting of a given PIE, it may provide non-audit services other than the prohibited ones referred to in Article 5(1) second subparagraph of the Audit Regulation (i.e. the prohibited services referred to in all points (a) to (k) because these services pose the risk to the independence of the audit firm in case of both: the assurance of sustainability reporting – points (b), (c) and (e) to (k) and the statutory audit – points (a) to (k)).

ASSURANCE OF THE SUSTAINABILITY REPORT PREPARED IN ACCORDANCE WITH ARTICLE 40a OF THE ACCOUNTING DIRECTIVE

79) **What happens if the third-country undertaking does not provide the assurance opinion to the EU subsidiary/EU branch?**

Pursuant to Article 40a(3) of the Accounting Directive, if the third-country undertaking does not provide the assurance opinion, the subsidiary undertaking or branch shall issue a statement indicating that fact.

80) **How should the assurance opinion for the sustainability report prepared pursuant to Article 40a of the Accounting Directive be published? Are there any format requirements?**

Based on Article 40d(1) of the Accounting Directive, the assurance opinion for the sustainability report prepared pursuant to Article 40a shall be published together with the sustainability report – and, where applicable, the statement mentioned in the fourth subparagraph of Article 40a(2) of the Accounting Directive – within 12 months of the balance sheet date of the financial year for which the report is drawn up, as provided for by each Member State, in accordance with Articles 14 to 28 of the Company Law Directive and, where relevant, in accordance with Article 36 of that Directive. Union law does not currently require specific format requirements for the assurance opinion. However, Article 33a of the Accounting Directive – introduced by the ESAP package ([96]) – requires subsidiaries and branches subject to Article 40a of the Accounting Directive to submit the sustainability report to the collection body designated by the Member State in a data extractable format together with the relevant accompanying metadata. The Commission is also empowered to adopt implementing measures to specify further metadata to accompany the assurance opinion and to require a machine-readable format.

SECTION VI

## FAQS ON KEY INTANGIBLE RESOURCES

81) **According to Article 19(1) fourth subparagraph of the Accounting Directive, undertakings shall report information on the key intangible resources and explain how the business model of the undertaking fundamentally depends on such resources and how such resources are a source of value creation for the undertaking. Does this disclosure requirement apply to all kinds of key intangible resources, including intangible assets recognised on the balance sheet?**

Article 19(1) fourth subparagraph of the Accounting Directive is not limited to information about key intangible resources that are not recognised as intangible assets on the balance sheet. Consequently, the requirement applies to all key intangible resources of the undertaking, including intangible assets recognised on the balance sheet.

This holistic approach allows users to understand the dependencies of the undertaking's business model on key intangible resources and their relevance for the company's value creation, irrespective of whether they would meet the recognition and measurement criteria of the applicable accounting framework. It will help users to assess the undertaking's market value.

82) **Which entities are required to provide information on key intangible resources in the management report? Shall this requirement also apply to credit institutions and insurance undertaking, irrespective of their legal form?**

Large undertakings and listed SMEs (except micro-undertakings) shall report information on the key intangible resources and explain how the business model of the undertaking fundamentally depends on such resources and how such resources are a source of value creation for the undertaking. Article 19 of the Accounting Directive only applies to the types of undertakings referred to in Article 1(1) of the Accounting Directive, including credit institutions and insurance undertakings that fulfil the conditions in Article 1(1) of the Accounting Directive. This information must be included in the management report (but not necessarily in the sustainability statement).

83) **Do key intangible resources have to be included in the sustainability statement?**

Article 19(1) of the Accounting Directive sets out information which must be included in the undertaking's management report. Article 19(1) fourth subparagraph of the Accounting Directive requires information concerning key intangible resources to be included in the management report. Therefore, this information does not necessarily have to be included in the sustainability statement and may be provided in a different section of the management report.

([96]) In particular by Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point (OJ L, 2023/2864, 20.12.2023, ELI: http://data.europa.eu/eli/dir/2023/2864/oj) 'ESAP Omnibus Directive'.

SECTION VII

## ADDITIONAL FAQS ON REQUIREMENTS FOR THIRD-COUNTRY UNDERTAKINGS

84) **Are third-country undertakings required to report sustainability information at individual and/or consolidated level (individual/consolidated sustainability statement) under Articles 19a/29a of the Accounting Directive?**

Without prejudice to Article 23 of the Transparency Directive, third-country undertakings are required to report sustainability information at individual and/or consolidated level under Articles 19a/29a of the Accounting Directive, but only if the third-country undertaking is an issuer of transferable securities admitted to trading on an EU regulated market, excluding micro-undertakings.

Third-country issuers must include sustainability information within their management report as part of their annual financial report, based on Article 4(5) of the Transparency Directive, which cross-refers to Articles 19a and 29a of the Accounting Directive.

85) **Can third-country SMEs with transferable securities admitted to trading on an EU regulated market opt out from the obligation to report sustainability information for financial years starting before 1 January 2028 pursuant to Article 19a(7) of the Accounting Directive?**

Yes, the opt-out provision set out in Article 19a(7) of the Accounting Directive also applies to third-country SMEs with transferable securities admitted to trading on an EU regulated market (see FAQ 16).

86) **If a third-country parent undertaking publishes on a voluntary basis a consolidated sustainability statement to allow its subsidiaries to avail of the exemptions under Articles 19a(9) and 29a(8) of the Accounting Directive, does that consolidated sustainability statement need to be included in a consolidated management report or can it be a standalone document?**

The third-country parent undertaking that complies with Article 29a of the Accounting Directive on a voluntary basis may include the consolidated sustainability statement in a separate document.

87) **Does the consolidated sustainability statement of the third-country parent undertaking prepared pursuant to Article 29a of the Accounting Directive have to include all its subsidiaries or only the EU subsidiaries?**

The rules for the consolidation of the sustainability statement are the same ones as for the consolidation of the financial statements. Based on Article 22(6) of the Accounting Directive ([97]), the consolidated sustainability statement must include all its subsidiary undertakings, regardless of where the registered offices of such subsidiary undertakings are situated.

88) **Pending a Commission decision on the equivalence of third-country sustainability standards, how can a third-country undertaking that is not required to report sustainability information under Union law allow its Union subsidiaries to be exempted from sustainability reporting under Articles 19a and 29a of the Accounting Directive?**

A third-country undertaking that is not required to report sustainability information under Union law and that wants to allow its Union subsidiaries to be exempted from sustainability reporting under Articles 19a and 29a of the Accounting Directive may publish a consolidated sustainability statement prepared in accordance with ESRS.

([97]) Article 22(6) Accounting Directive: *'Without prejudice to Article 23(9), a parent undertaking and all of its subsidiary undertakings shall be undertakings to be consolidated regardless of where the registered offices of such subsidiary undertakings are situated.'*

Alternatively, based on Article 48i(1) of the Accounting Directive, until financial years ending on 6 January 2030, Member States must allow a subsidiary governed by the law of a Member State that is subject to Articles 19a and 29a of the Accounting Directive and whose parent undertaking is governed by the law of a third-country to prepare and publish a consolidated sustainability statement under Article 29a of the Accounting Directive, that includes all Union direct or indirect subsidiary undertakings of such third-country parent undertaking that are subject to Articles 19a and 29a of the Accounting Directive. Article 48i(2) of the Accounting Directive specifies that the Union subsidiary undertaking preparing the consolidated sustainability reporting shall be one of the Union subsidiary undertakings of the group that generated the greatest turnover in the Union in at least one of the preceding five financial years, on a consolidated basis where applicable.

Based on Article 48i(3) of the Accounting Directive, the preparation and publication of the consolidated sustainability statement prepared and published by the Union subsidiary referred to in Article 48i(1) of the Accounting Directive leads to the exemption from sustainability reporting of all undertakings included in the consolidation, provided that the conditions in Articles 19a(9) and 29a(8) are met.

89) **Do third-country issuers have to include Article 8 Taxonomy Regulation disclosures in their sustainability statement?**

Without prejudice to Article 23 of the Transparency Directive, third-country issuers reporting in accordance with Article 19a or 29a of the Accounting Directive must include Article 8 Taxonomy disclosures in their sustainability statements.

Article 4(5) of the Transparency Directive requires EU and third-country issuers of transferable securities admitted to trading on an EU regulated market (excluding micro-undertakings) to draw up their management report in accordance with Articles 19, 19a, 20, and 29d(1) of the Accounting Directive (or Articles 29, 29a and 29d(2) of the Accounting Directive in the case of a consolidated management report) and to include the specifications adopted pursuant to Article 8(4) Taxonomy Regulation, '*when drawn up by undertakings referred to in those provisions*'.

In line with the co-legislators' clear intention to extend the sustainability reporting requirements set out in the Accounting Directive (which only applies to EU undertakings) to EU and third-country issuers, '*when drawn up by undertakings referred to in those provisions*' is to be interpreted as referring to the categories of undertakings referred to in Articles 19a and 29a of the Accounting Directive (i.e. large undertakings, listed SMEs excluding micro-undertakings, and parent companies of large groups). Since the Transparency Directive applies to all EU and third-country issuers (including micro-undertakings), this sentence is needed to ensure that listed micro-undertakings are not subject to sustainability reporting requirements.

Article 8 of the Taxonomy Regulation requires companies subject to Articles 19a or 29a of the Accounting Directive to publish how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable. The wording of Article 4(5) of the Transparency Directive indicates that where an EU or third-country issuer is subject to sustainability reporting requirements under Articles 19a or 29a of the Accounting Directive, it must include Article 8 Taxonomy Regulation disclosures in its management report.

SECTION VIII

## FAQ ON SFDR

90) **May financial market participants assume that any indicator reported as non-material by an investee undertaking subject to the CSRD does not contribute to the corresponding indicator of principal adverse impacts in the context of the SFDR disclosures?**

Yes. Financial market participants may assume that any indicator reported as non-material by an investee company applying ESRS does not contribute to the corresponding indicator of principal adverse impacts in the context of the SFDR disclosures, i.e. the value of that investment does not need to be included in the numerator of the given SFDR principal adverse impact indicator.

Article 29b(5) point (b) of the Accounting Directive requires the Commission, to the greatest extent possible, to take account of the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation when adopting sustainability reporting standards.

As a consequence of the obligation set out in the CSRD to take into account the information needs of financial market participants, any indicator reported as non-material by an investee undertaking subject to the CSRD requirements is relevant information and may be considered as not contributing to principal adverse impacts under the SFDR.

Financial market participants will find this information in CSRD reporting as ESRS 1 paragraph 35 requires that when an undertaking considers that a specific datapoint derived from the SFDR is not material, the undertaking explicitly states that the information in question is 'not material' ([98]).

In addition, ESRS 2, paragraph 56 requires undertakings subject to the CSRD to include a table of all the datapoints that derive from other EU legislation, including the SFDR, indicating where they can be found in the sustainability statement and indicating 'Not material' in the table for those that the undertaking has assessed as not material, in accordance with ESRS 1 paragraph 35.

([98]) The same approach is taken for datapoints that derive from other EU legislation listed in Appendix B of ESRS 2.