SUBSIDIARY LEGISLATION 386.31

CORPORATE SUSTAINABILITY REPORTING REGULATIONS

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LEGAL NOTICE 39 of 2026.

Citation and commencement.

1. (1) The title of these regulations is the Corporate Sustainability Reporting Regulations.

(2) These regulations shall come into force on such date or dates as the Minister responsible for the registration of commercial partnerships may, by notice in the Gazette establish, and different dates may be so established for different provisions and, or purposes of these regulations.

Scope.

2. The scope of these regulations is to transpose and implement 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.

Interpretation.

Cap. 386.
Cap. 281.
S.L. 281.01.

3. (1) Unless the context otherwise requires, any terms used in these regulations and not defined herein, shall have the same meaning assigned to them in the Companies Act, the Accountancy Profession Act and in the Accountancy Profession Regulations.

(2) In these regulations, unless the context otherwise requires:

"Act" means the Companies Act; Cap. 386.

"Accountancy Profession Act" means the Accountancy Profession Act; Cap. 281.

"Accounting Directive" means 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;

"Alternative Investment Fund" or "AIF" shall have the same meaning as assigned to it in the Investment Services Act; Cap. 370.

"annual accounts" shall have the same meaning as assigned to it in article 2 of the Act;

*Not yet in force.

"Audit Directive" means 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;

"audit firm" shall have the same meaning assigned to it in the Accountancy Profession Act or in regulations made thereunder, with respect to the assurance of sustainability reporting as defined in the Accountancy Profession Act;

Cap. 281.

Cap. 281.

"auditor" or "statutory auditor" shall have the same meaning assigned to it in the Accountancy Profession Act or in regulations made thereunder, with respect to the assurance of sustainability reporting as defined in the Accountancy Profession Act;

"Audit Regulation" means 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;

Cap. 281.

"assurance of sustainability reporting" shall have the same meaning as assigned to it in the Accountancy Profession Act;

Cap. 281.

"Board" means the Accountancy Board established by article 6 of the Accountancy Profession Act;

Cap. 403.

"captive insurance undertaking" shall have the same meaning as assigned to it in the Insurance Business Act;

Cap. 403.

"captive reinsurance undertaking" shall have the same meaning as assigned to it in the Insurance Business Act;

Cap. 204.

"Central Bank" means the Central Bank of Malta as established by article 3 of the Central Bank of Malta Act;

"consolidated directors' report" shall be construed in accordance with the Act;

"consolidated financial statements" shall be construed in accordance with the Act;

"credit institution" shall have the same meaning as assigned to it in point (1) of Article 4(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/

2012, as licensed by the Malta Financial Services Authority and excluding any passported institutions;

"directors' report" shall have the same meaning as assigned to it in article 2 of the Act;

"group" shall be construed in accordance with the Act;

"group auditor" shall have the same meaning as assigned to it in the Accountancy Profession Act or in regulations made thereunder, with respect to the assurance of sustainability reporting as defined in the Accountancy Profession Act; Cap. 281.

"insurance undertaking" shall have the same meaning as assigned to "authorised insurance undertaking" in the Insurance Business Act, as licensed by the Malta Financial Services Authority and excluding any passported institutions; Cap. 403.

"issuer" shall have the same meaning as assigned to it in Article 2(1)(d) of 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;

"key intangible resources" means resources without physical substance on which the business model of the undertaking fundamentally depends and which are a source of value creation for the undertaking;

"large groups" shall have the same meaning as assigned to it in paragraph 1 of Part I of the Third Schedule to the Act;

"large undertakings" shall have the same meaning as assigned to it in paragraph 1 of Part I of the Third Schedule to the Act;

"listed public-interest entities" means an undertaking governed by the law of a Member State and whose transferable securities are admitted to trading on a regulated market of any Member State;

"Malta Development Bank" means the Malta Development Bank as established by article 3 of the Malta Development Bank Act; Cap. 574.

"medium-sized undertakings" shall have the same meaning as assigned to it in paragraph 1 of Part I of the Third

Schedule to the Act;

"Member State" means a member state of the European Union;

"Minister" means the Minister responsible for finance;

"net turnover" means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; however, for insurance undertakings referred to in point (a) of the first sub-paragraph of Article 1(3) of the Accounting Directive, "net turnover" shall be defined in accordance with Article 35 and point 2 of Article 66 of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings; for credit institutions referred to in point (b) of the first sub-paragraph of Article 1(3) of the Accounting Directive, "net turnover" shall be defined in accordance with point (c) of Article 43(2) of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions; and for third-country undertakings falling under the scope of Article 40a(1) of the Accounting Directive, "net turnover" means the revenue as defined by or within the meaning of the financial reporting framework on the basis of which the financial statements of the undertaking are prepared;

"parent undertaking" shall have the same meaning as assigned to it in Article 2(9) of the Accounting Directive;

"public-interest entity" shall have the same meaning as assigned to it in article 2(1) of the Accountancy Profession Act;

Cap. 281.

"Registrar" shall have the same meaning as assigned to it in article 2 of the Act;

"Regulation (EU) No. 575/2013" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012;

"Regulation (EU) No. 2020/852" means 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;

"small and non-complex institutions" shall have the same meaning as assigned to it under point (145) of Article 4(1)

of Regulation (EU) No. 575/2013;

"small undertakings" means the companies referred to in article 185(1) of the Act;

"sustainability matters" means environmental, social and human rights, and governance factors, including sustainability factors defined in point (24) of Article 2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector;

"sustainability reporting" means reporting information related to sustainability matters established by and in accordance with regulations 6 to 22 and 24;

"sustainability reporting standards" means standards, established by delegated acts adopted by the European Commission on sustainability reporting from time to time, pursuant to the Accounting Directive;

"third country" shall have the same meaning as assigned to it in article 2 of the Act;

"third-country audit entity" shall have the same meaning as assigned to it in the Accountancy Profession Act, with respect to the assurance of sustainability reporting; Cap. 281.

"third-country auditor" shall have the same meaning as assigned to it in the Accountancy Profession Act, with respect to the assurance of sustainability reporting; Cap. 281.

"third-country subsidiary undertakings and branches" means subsidiary undertakings and branches of undertakings which are not governed by the law of a Member State but whose legal form is comparable with that of an undertaking according to these regulations;

"Transparency Directive" means 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;

"undertaking" shall have the same meaning as assigned to it in Article 2 of the Accounting Directive as well as insurance undertakings and credit institutions regardless of the legal form;

"undertaking for collective investment in transferable

securities" or "UCITS" means an undertaking authorised in accordance with Article 5 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);

"Union" means the European Union.

"workers' representative" shall have the same meaning as "employees' representative" in the Employment and Industrial Relations Act.

Cap. 452.

Applicability.

4. (1) These regulations shall apply to the obligation imposed on:

(a) large undertakings, and

(b) medium-sized undertakings and small undertakings which are listed public-interest entities, to include in the directors' report information necessary to understand the undertaking's impacts on sustainability matters, as well as information necessary to understand how sustainability matters affect the undertaking's development, performance and position.

(2) These regulations shall not apply to:

(a) the Central Bank of Malta;

(b) the Malta Development Bank;

(c) an Alternative Investment Fund;

(d) an undertaking for collective investment in transferable securities; and

(e) undertakings which on their balance sheet dates do not exceed the limits of at least two (2) of the three (3) following criteria:

(i) balance sheet total: four hundred and fifty thousand euro (€450,000);

(ii) net turnover: nine hundred thousand euro (€900,000);

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

Time-frame for applicability.

5. (1) The measures indicated hereunder in regulations

6 to 24, 39 and 41, shall be applicable in the following manner:

(a) for financial years starting on or after 1 January 2026:

(i) to large undertakings which are public- interest entities exceeding on their balance sheet dates the average number of five hundred (500) employees during the financial year; and

(ii) to public-interest entities which are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, the average number of five hundred (500) employees during the financial year;

(b) for financial years starting on or after 1 January 2027:

(i) to large undertakings, other than those referred to in paragraph (a)(i); and

(ii) to parent undertakings of a large group, other than those referred to in paragraph (a)(ii);

(c) for financial years starting on or after 1 January 2028:

(i) to small undertakings and medium-sized undertakings which are listed public-interest entities;

(ii) to small and non-complex institutions, provided they are large undertakings or that they are small undertakings or medium-sized undertakings which are listed public-interest entities; and

(iii) to captive insurance undertakings and captive reinsurance undertakings, provided that they are large undertakings or that they are small undertakings or medium-sized undertakings which are listed public-interest entities.

(2) The measures indicated in regulations 25 to 32 with respect to reporting concerning third-country undertakings shall be applicable to third-country undertakings for financial years starting on or after 1 January 2028.

(3) The provisions of sub-regulation (1) shall also apply *mutatis mutandis* to issuers in terms of the MFSA Capital Markets Rules as follows:

(a) for financial years starting on or after 1

January 2026:

(i) to issuers which are large undertakings exceeding on their balance sheet dates the average number of five hundred (500) employees during the financial year; and

(ii) to issuers which are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, the average number of five hundred (500) employees during the financial year;

(b) for financial years starting on or after 1 January 2027:

(i) to issuers which are large undertakings, other than those referred to in paragraph (a)(i); and

(ii) to issuers which are parent undertakings of a large group, other than those referred to in paragraph (a)(ii);

(c) for financial years starting on or after 1 January 2028:

(i) to issuers which are small undertakings or medium-sized undertakings;

(ii) to issuers which are small and non-complex institutions provided they are large undertakings or that they are small undertakings or medium-sized undertakings which are listed public-interest entities; and

(iii) to issuers which are captive insurance undertakings or captive reinsurance undertakings, provided that they are large undertakings or that they are small undertakings or medium-sized undertakings, which are listed public-interest entities.

(4) The measures indicated in regulations 33 to 38 and 40 shall be applicable for financial years starting on or after 1 January 2026.

Sustainability reporting.

6. (1) (a) Large undertakings; and

(b) medium-sized undertakings and small undertakings that are listed public-interest entities,

shall include in the directors' report information necessary to understand the undertaking's impacts on sustainability matters,

information on the key intangible resources and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.

(2) The information referred to in sub-regulation (1) shall be clearly identifiable within the directors' report, through a dedicated section of such directors' report.

(3) A copy of the director' report shall be delivered to the Registrar for registration, in accordance with article 183 of the Act.

Required information.

7. (1) The information referred to in regulation 6 shall contain:

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

(i) the resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters;

(ii) the opportunities for the undertaking related to sustainability matters;

(iii) the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to one point five degrees Celsius (1,5°C) in line with the Paris Agreement to the United Nations Framework Convention on Climate Change adopted on 12 December 2015 and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), and where relevant, the exposure of the undertaking to coal-, oil-, and gas-related activities;

(iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;

(v) how the undertaking's strategy has been implemented with regard to sustainability matters;

(b) a description of the time-bound targets related to sustainability matters set by the undertaking, including where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence;

(c) a description of the role of the directors with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access these directors have to such expertise and skills;

(d) a description of the undertaking's policies in relation to sustainability matters;

(e) information about the existence of incentive schemes linked to sustainability matters which are offered to the directors;

(f) a description of:

(i) the due diligence process implemented by the undertaking with regard to sustainability matters, and where applicable, in line with Union requirements on undertakings to conduct a due diligence process;

(ii) the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other Union requirements on undertakings to conduct a due diligence process; and

(iii) any actions taken by the undertaking to prevent, mitigate, re-mediate or bring an end to actual or potential adverse impacts, and the result of such actions;

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

(h) indicators relevant to the disclosures referred to in paragraphs (a) to (g).

(2) Undertakings shall report the process carried out to identify the information that they have included in the directors' report in accordance with regulation 6. The information listed in sub-regulation (1) shall include information related to short-, medium- and long-term time horizons, as applicable.

(3) Undertakings shall also include the disclosures required in terms of Article 8 of Regulation (EU) 2020/852 as regards information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable.

Information about the undertaking's own operations.

8. (1) Where applicable, the information referred to in regulations 6 and 7 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain.

(2) For the first three (3) years of the application of the measures in accordance with regulation 6, and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons on the basis of which not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

(3) Where applicable, the information referred to in regulations 6 and 7 shall also contain references to, and additional explanations of, the other information included in the directors' report in accordance with article 177 of the Act, and the amounts reported in the annual accounts.

(4) Information relating to impending developments or matters in the course of negotiation may be omitted in exceptional cases where, in the duly justified opinion of the directors, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.

Sustainability reporting standards.

9. Undertakings shall report information referred to in regulations 6 to 8 in accordance with the sustainability reporting standards adopted pursuant to regulation 23.

Information to workers' representative.

10. The board of directors of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Where applicable, the workers' representatives' opinion shall be communicated to the board of

directors.

Reporting derogations for certain undertakings.

11. (1) By way of derogation from regulations 7 to 9, and without prejudice to regulation 14, small undertakings and medium-sized undertakings which are listed public-interest entities, small and non-complex institutions, captive insurance undertakings and captive reinsurance undertakings may limit their sustainability reporting to the following information:

(a) a brief description of the undertaking's business model and strategy;

(b) a description of the undertaking's policies in relation to sustainability matters;

(c) the principal actual or potential adverse impacts of the undertaking on sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;

(d) the principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks; and

(e) key indicators necessary for the disclosures referred to in paragraphs (a) to (d).

(2) Small undertakings and medium-sized undertakings, small and non-complex institutions and captive insurance and reinsurance undertakings that rely on the derogation referred to in the sub- regulation (1) shall report in accordance with the sustainability reporting standards for small undertakings and medium-sized undertakings referred to in Article 29c of the Accounting Directive.

Information referred to in regulation 6.

12. For financial years starting before 1 January 2028, by way of derogation from regulation 6, small undertakings and medium-sized undertakings which are listed public-interest entities may decide not to include in their directors' report the information referred to in regulation 6. In such cases, the undertaking shall nevertheless, briefly state in its directors' report the basis on which the sustainability reporting was not provided.

Compliance with article 177 of the Act.

13. Undertakings that comply with the requirements established in regulations 6 to 9 and undertakings that rely on the derogation stipulated in regulation 11 shall be deemed to have complied with the requirement established in article 177(2a) of the Act.

Reporting exemptions for subsidiary undertakings included in consolidated directors' report.

14. (1) On condition that the requisites set out in sub-regulation (3) are met, an undertaking which is a subsidiary undertaking shall be exempted from the obligations set out in regulations 6 to 9, hereinafter referred to as the "exempted subsidiary undertaking", if such undertaking and its subsidiary undertakings are included in the consolidated directors' report of a parent undertaking, drawn up in accordance with requirements equivalent to those set out in article 177 of the Act and regulations 15 to 22.

(2) An undertaking which is a subsidiary undertaking of a parent undertaking that is established in a third country shall also be exempted from the obligations set out in regulations 6 to 9 where such undertaking and its subsidiary undertakings are included in the consolidated sustainability reporting of that parent undertaking that is established in a third country and where that consolidated sustainability reporting is carried out in accordance with the sustainability reporting standards or in a manner equivalent to those sustainability reporting standards, as determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third sub-paragraph of Article 23(4) of the Transparency Directive.

(3) The exemption referred to in sub-regulations (1) and (2) shall be subject to the following conditions:

(a) the directors' report of the exempted subsidiary undertaking shall contain all of the following information:

(i) the name and registered office of the parent undertaking that reports information at group level in accordance with this regulation or in a manner equivalent to the sustainability reporting standards adopted pursuant to regulation 23, as determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third sub- paragraph of Article 23(4) of the Transparency Directive;

(ii) the weblinks to the consolidated directors' report of the parent undertaking or, where applicable, to the consolidated sustainability reporting of the parent undertaking, as referred to in sub-regulation (1), and to the assurance report referred to in article 179C(2) of the Act or to the assurance report referred to in paragraph (b);

(iii) the information that the undertaking is exempt from the obligations prescribed in regulations 6 to 9;

(b) if the parent undertaking is established in a third country, its consolidated sustainability reporting and the assurance report on the consolidated sustainability reporting, expressed by one (1) or more persons or firms authorised to prepare a report on the assurance of sustainability reporting under the law governing that parent undertaking, are published in accordance with article 183 of the Act, and in accordance with the applicable law regulating the exempted subsidiary undertaking;

(c) if the parent undertaking is established in a third country, the disclosures stipulated in Article 8 of Regulation (EU) 2020/852, covering the activities carried out by the exempted subsidiary undertaking established in the Union and its subsidiary undertakings, are included in the directors' report of the exempted subsidiary undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.

(4) The consolidated directors' report or, where applicable, the consolidated sustainability report of the parent undertaking shall be published in either the Maltese or English language.

(5) Any necessary translation into the Maltese or English language shall be provided and any translation that has not been certified shall include a statement to this effect.

(6) Undertakings which are exempted from preparing a directors' report in accordance with Article 37 of the Accounting Directive shall not be obliged to provide the information referred to in sub-regulation (3)(a)(i) to (iii), provided that such undertakings publish the consolidated directors' report prepared by the relevant parent undertaking in accordance with Article 37 of the Accounting Directive.

(7) For the purposes of sub-regulations (1) and (2), and where Article 10 of Regulation (EU) No. 575/2013 applies, credit institutions that are permanently affiliated to a central body which supervises them under the conditions stipulated in Article 10 of Regulation (EU) No. 575/2013 shall be treated as subsidiary undertakings of such central body.

(8) For the purposes of sub-regulations (1) and (2), insurance undertakings that are part of a group, on the basis of financial relationships as referred to in paragraph (b) of the definition "group" in article 2(1) of the Insurance Business Act, and which are subject to group supervision in accordance with article 32A of the said Act, shall be treated as subsidiary undertakings of the parent undertaking of such group.

Cap. 403.

(9) The exemption stipulated in sub-regulations (1) to (8) shall also apply to public-interest entities subject to the satisfaction of the relevant requirements of this regulation, with the exception of large undertakings which are listed public-interest entities.

Consolidated sustainability reporting.

15. (1) Parent undertakings of a large group shall include in the consolidated directors' report information necessary to understand the group's impacts on sustainability matters, information on the key intangible resources and information necessary to understand how sustainability matters affect the group's development, performance and position.

(2) The information referred to in sub-regulation (1) shall be clearly identifiable within the consolidated directors' report, through a dedicated section of the said report.

Information referred to in regulation 15.

16. (1) The information referred to in regulation 15 shall contain:

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

(i) the resilience of the group's business model and strategy in relation to risks related to sustainability matters;

(ii) the opportunities for the group related to sustainability matters;

(iii) the plans of the group, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to one point five degrees Celsius (1,5°C) in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') and, where relevant, the exposure of the group to coal-, oil- and gas-related activities;

(iv) how the group's business model and strategy take account of the interests of the group's stakeholders and of the impacts of the group on sustainability matters;

(v) how the group's strategy has been

implemented with regard to sustainability matters;

(b) a description of the time-bound targets related to sustainability matters set by the group, including where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the group has made towards achieving those targets, and a statement of whether the group's targets related to environmental factors are based on conclusive scientific evidence;

(c) a description of the role of the directors with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access these directors have to such expertise and skills;

(d) a description of the group's policies in relation to sustainability matters;

(e) information about the existence of incentive schemes linked to sustainability matters which are offered to the directors;

(f) a description of:

(i) the due diligence process implemented by the group with regard to sustainability matters, and where applicable, in line with Union requirements on undertakings to conduct a due diligence process;

(ii) the principal actual or potential adverse impacts connected with the group's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the parent undertaking is required to identify pursuant to other Union requirements to conduct a due diligence process;

(iii) any actions taken by the group to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;

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

(h) indicators relevant to the disclosures referred to in paragraphs (a) to (g).

(2) Parent undertakings shall report the process carried out to identify the information that they have included in the consolidated directors' report in accordance with regulation 15. The information listed in regulation 16(1) shall include information related to short-, medium- and long-term time horizons, as applicable.

(3) Undertakings shall also include the disclosures required in terms of Article 8 of Regulation (EU) 2020/852 as regards information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable.

Information about the group's own operations.

17. (1) Where applicable, the information referred to in regulations 15 and 16 shall contain information about the group's own operations and about its value chain, including its products and services, its business relationships and its supply chain.

(2) For the first three (3) years of the application of the measures referred to in regulation 15, and in the event that not all the necessary information regarding its value chain is available, the parent undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons on the basis of which not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

(3) Where applicable, the information referred to in regulations 15 and 16 shall also include references to, and additional explanations of, the other information included in the consolidated directors' report in accordance with article 177 of the Act, and the amounts reported in the consolidated annual accounts.

(4) Information relating to impending developments or matters in the course of negotiation may be omitted in exceptional cases where, in the duly justified opinion of the directors, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.

Where significant differences are identified.

18. (1) Where the reporting undertaking identifies significant differences between the risks for, or impacts of, the group and the risks for, or impacts of, one (1) or more of its subsidiary undertakings, the undertaking shall provide an adequate understanding of, as appropriate, the risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned.

(2) Undertakings shall indicate which subsidiary undertakings included in the consolidation are exempt from annual or

consolidated sustainability reporting pursuant to regulation 14(1) to (8) or regulation 22(1) to (8), respectively.

Reporting of the information referred to in regulations 15 to 17.

19. Parent undertakings shall report the information referred to in regulations 15 to 17 in accordance with the sustainability reporting standards adopted pursuant to regulation 23.

Board of directors of the parent undertaking to inform the workers' representatives.

20. The board of directors of the parent undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Where applicable, the workers' representatives' opinion shall be communicated to the board of directors.

Sustainability requirements.

21. A parent undertaking that complies with the requirements prescribed in regulations 15 to 19 shall be deemed to have complied with the sustainability requirements prescribed in article 177 of the Act and regulations 6 to 14.

Reporting exemptions for specific parent undertakings.

22. (1) On condition that the requisites prescribed in sub-regulation (3) are met, a parent undertaking which is a subsidiary undertaking shall be exempt from the obligations prescribed in regulations 15 to 19 (the "exempt parent undertaking") if such parent undertaking and its subsidiary undertakings are included in the consolidated directors' report of another undertaking, drawn up in accordance with article 177 of the Act and regulations 15 to 22.

(2) A parent undertaking which is a subsidiary undertaking of a parent undertaking that is established in a third country shall also be exempt from the obligations prescribed in regulations 15 to 19 where such parent undertaking and its subsidiary undertakings are included in the consolidated sustainability reporting of such parent undertaking that is established in a third country and where that consolidated sustainability reporting is carried out in accordance with the sustainability reporting standards or in a manner equivalent to those sustainability reporting standards, as determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third sub-paragraph of Article 23(4) of the Transparency Directive.

(3) The exemption referred to in sub-regulations (1) and (2) shall be subject to the following conditions:

(a) the directors' report of the exempt parent undertaking shall contain all of the following information:

(i) the name and registered office of the parent undertaking that reports information at group level in accordance with this regulation or in a manner equivalent to the sustainability reporting standards, as

determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third sub-paragraph of Article 23(4) of the Transparency Directive;

(ii) the weblinks to the consolidated directors' report of the parent undertaking or, where applicable, to the consolidated sustainability reporting of the parent undertaking, as referred to in sub-regulation (1) and (2), and to the assurance report referred to in Article 179C(2) of the Act or to the assurance report referred to in paragraph (b); and

(iii) the information that the parent undertaking is exempt from the obligations prescribed in regulations 15 to 19;

(b) if the parent undertaking is established in a third country, its consolidated sustainability reporting and the assurance report, expressed by one (1) or more persons or firms authorised to prepare a report on the assurance of sustainability reporting under Maltese law, shall be published in accordance with article 183 of the Act, and in accordance with the applicable law regulating the exempted parent undertaking;

(c) if the parent undertaking is established in a third country, the disclosures stipulated in Article 8 of Regulation (EU) 2020/852, covering the activities carried out by the subsidiary undertaking established in the Union and exempted from sustainability reporting on the basis of regulation 14(1) to (8), shall be included in the directors' report of the exempt parent undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.

(4) The consolidated directors' report or, where applicable, the consolidated sustainability report of the parent undertaking shall be published in either the Maltese or English language.

(5) Any necessary translation into the Maltese or English language shall be provided and any translation that has not been certified shall include a statement to this effect.

(6) Parent undertakings which are exempt from preparing a directors' report pursuant to article 174 of the Act shall not be obliged to provide the information referred to in sub-regulation (3)(a)(i) to (iii), provided that such undertakings publish the consolidated directors' report in accordance with article 174 of the Act.

(7) For the purposes of sub-regulations (1) and (2), and

where Article 10 of Regulation (EU) No 575/2013 applies, credit institutions that are permanently affiliated to a central body which supervises them under the conditions stipulated in Article 10 of Regulation (EU) No 575/2013 shall be treated as subsidiary undertakings of such central body.

(8) For the purposes of sub-regulations (1) and (2), insurance undertakings that are part of a group, on the basis of financial relationships as referred to in paragraph (b) of the definition of "group" in article 2(1) of the Insurance Business Act, and which are subject to group supervision in accordance with article 32A of the said Act, shall be treated as subsidiary undertakings of the parent undertaking of such group.

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(9) The exemption stipulated in sub-regulations (1) to (8) shall also apply to public-interest entities subject to the satisfaction of the requirements of this regulation, with the exception of large undertakings which are listed public-interest entities.

Sustainability reporting standards.

23. Sustainability reporting standards shall specify the information that undertakings are to report in accordance with regulations 6 to 22 and, where relevant, shall specify the structure to be used to submit such information.

Single electronic reporting format.

24. (1) Undertakings subject to the requirements of regulations 6 to 14, shall prepare their directors' report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format 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 regulations 15 to 22 shall prepare their consolidated directors' report in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format 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 the said Delegated Regulation.

Sustainability reports concerning Maltese subsidiaries and branches of third-country undertakings.

25. (1) A subsidiary undertaking established in Malta whose ultimate parent undertaking is governed by the law of a third country shall publish and make accessible a sustainability report covering the information specified in paragraph (a)(iii) to (v), paragraphs (b) to (f) and, where appropriate, paragraph (h) of regulation 16(1) at the group level of such ultimate third-country parent undertaking.

(2) The provisions of sub-regulation (1) shall only apply to large subsidiary undertakings and to small undertakings and medium-sized subsidiary undertakings which are listed public-interest entities.

26. (1) A branch located in Malta, being a branch of an undertaking governed by the law of a third country, which is either not part of a group or is ultimately held by an undertaking that is formed in accordance with the law of a third country, shall publish and make accessible a sustainability report covering the information specified in paragraph (a)(iii) to (v), paragraphs (b) to (f) and, where appropriate, paragraph (h) at the group level of regulation 16(1) or, if not applicable, at the individual level, of the third-country undertaking.

(2) The rule referred to in sub-regulation (1) shall only apply to a branch where the third-country undertaking does not have a subsidiary undertaking as referred to in regulation 25(1), and where the branch generated a net turnover of more than forty million euro (€40,000,000) in the preceding financial year.

Applicability of regulations 25(1) and 26(1).

27. The provisions of regulations 25(1) and 26(1) shall only apply to the subsidiary undertakings or branches referred to in those sub-regulations where the third-country undertaking, at its group level, or, if not applicable, at the individual level, generated a net turnover of more than one hundred and fifty million euro (€150,000,000) in the Union for each of the last two (2) consecutive financial years.

Information on net turnover generated by third-country undertakings.

28. Subsidiary undertakings or branches referred to in regulations 25(1) and 26(1) shall submit to the relevant competent authorities, information about the net turnover generated in Malta and in the Union by the third-country undertakings concerned.

Sustainability reporting standards and assurance report for third-country undertakings.

29. (1) The sustainability report communicated by the subsidiary undertaking or branch of a third country ultimate parent referred to in regulations 25 to 28 shall be drawn up in accordance with the sustainability reporting standards applicable to third country undertakings as may be adopted by the Commission from time to time.

(2) By way of derogation from sub-regulation (1), the sustainability report of a third country ultimate parent referred to in regulations 25 to 28 may be drawn up in accordance with the

sustainability reporting standards adopted pursuant to regulation 23 or in a manner equivalent to those sustainability reporting standards, as determined in accordance with an implementing act adopted by the Commission, on the equivalence of sustainability reporting standards.

(3) Where the information required to draw up the sustainability report referred to in sub-regulation (1) is not available, the subsidiary undertaking or branch referred to in regulations 25 to 28 shall request the third-country undertaking to provide them with all information necessary to enable them to meet their obligations.

(4) In the event that not all the required information is provided, the subsidiary undertaking or branch referred to regulations 25 to 28 shall draw up, publish and make accessible the sustainability report referred to in regulations 25 to 28, 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.

Publication of sustainability report.

30. (1) The sustainability report referred to in regulations 25 to 28 shall, upon publication, be accompanied by an assurance report expressed by one (1) or more persons or firms authorised to provide assurance of sustainability reporting under the national law of the third-country undertaking or of a Member State.

(2) In the event that the third-country undertaking does not provide the assurance report in accordance with sub-regulation (1), the subsidiary undertaking or branch shall issue a statement indicating that the third-country undertaking did not make the necessary assurance report available.

Responsibility for drawing up, publishing and making accessible sustainability reports concerning third-country undertakings.

31. (1) The branches of third-country undertakings shall be responsible for ensuring, to the best of their knowledge and ability, that their sustainability report is drawn up in accordance with regulations 25 to 30, and that such report is published and made accessible in accordance with regulation 32.

(2) The directors of the subsidiary undertakings referred to in regulations 25 to 30 shall have collective responsibility for ensuring, to the best of their knowledge and ability, that their sustainability report shall be drawn up in accordance with regulations 25 to 30, and that such report shall be published and made accessible in accordance with regulation 32.

Subsidiary undertakings and branches.

32. (1) The subsidiary undertakings and branches referred to in regulations 25 to 28 shall publish their sustainability report, together with the assurance report and, where applicable, the statement mentioned in regulation 29(4) within twelve (12) months of the balance sheet date of the financial year for which the report is drawn up, in accordance with the relevant provisions of the Act.

(2) The sustainability report together with the assurance report and, where applicable, with the statement published in accordance with sub-regulation (1), shall be made accessible to the public upon request, on the website of the Malta Business Registry at a price not exceeding its administrative cost, and the said documents shall be made accessible to the public in the Maltese or English language, not later than twelve (12) months after the balance sheet date of the financial year for which the report is drawn up. In the case that the report is published in a language which is not English or Maltese but is at least one (1) of the official languages of the Union, there shall be annexed to the copy of such document a translation of it in English or Maltese, certified to be a correct translation in such a manner as may be prescribed.

(3) The said sustainability report may also be published on the website of the subsidiary undertaking or the branch as referred to in regulations 25 to 28, not later than twelve (12) months after the balance sheet date of the financial year for which the report is drawn up in English or Maltese, or a copy of which is translated in English or Maltese, certified to be a correct translation in such a manner as may be prescribed.

Assurance standards for sustainability reporting.

33. (1) Auditors and audit firms shall carry out the assurance of sustainability reporting in compliance with the assurance standards adopted by the Commission providing initially for limited assurance standards setting out the procedures that the auditors and the audit firms shall perform in order to draw their 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:

Provided that as long as the Commission has not adopted such assurance standards, auditors and audit firms shall carry out the assurance of sustainability reporting in compliance with standards as adopted in terms of the Accountancy Profession Act and any regulations issued thereunder.

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(2) Auditors and audit firms shall, from time to time, carry out the assurance of sustainability reporting in compliance with reasonable assurance standards to be adopted by the European Commission.

Assurance of consolidated sustainability reporting.

34. (1) In the case of assurance engagements concerning the consolidated sustainability reporting of a group of undertakings, the documentation retained by the group auditor shall be such as to enable the Board to review the work of the group auditor to ensure that:

(a) in relation to the consolidated sustainability

reporting, the group auditor bears the full responsibility for the assurance report on sustainability reporting referred to in regulation 35;

(b) the group auditor evaluates the assurance work performed by the third-country auditors, statutory auditors, third-country audit entities or audit firms for the purpose of the assurance of consolidated sustainability reporting and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' assurance documentation; and

(c) the group auditor reviews the assurance work performed by third-country auditors, statutory auditors, third-country audit entities or audit firms for the purpose of the assurance of consolidated sustainability reporting and documents it.

(2) For the purposes of sub-article (1)(c), the group auditor shall request the agreement of the third-country auditors, statutory auditors, third-country audit entities or audit firms concerned to transfer relevant documentation during the conduct of the assurance of consolidated sustainability reporting, as a condition of the reliance by the group auditor on the work of those third-country auditors, statutory auditors, third-country audit entities or audit firms.

(3) Where the group auditor is unable to comply with the provisions of sub-regulation (1)(c), the group auditor shall take appropriate measures and inform the Board. Such measures shall, where appropriate, include carrying out additional assurance work, either directly or by outsourcing such tasks, in the relevant subsidiary.

(4) Where the group auditor is subject to a quality assurance review or an investigation concerning the assurance of consolidated sustainability reporting of a group of undertakings, the group auditor shall when requested, make available to the Board the relevant documentation, which is retained concerning the assurance work performed by the respective, third-country auditors, statutory auditors, third-country audit entities or audit firms for the purpose of the assurance of consolidated sustainability reporting, including any working papers relevant to the assurance of consolidated sustainability reporting.

(5) The Board may request additional documentation on the assurance work performed by any statutory auditors or audit firms for the purpose of the assurance of consolidated sustainability reporting from the relevant competent authorities pursuant to regulation 8 of the Accountancy Profession Regulations. S.L. 281.01.

(6) Where the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings is carried out by any auditors or audit entities from a third country, the Board may request additional documentation on the assurance work performed by any third-country auditors or third-country audit entities from the relevant competent authorities from third countries through working arrangements.

(7) By way of derogation from sub-regulation (6), where any third-country auditors or audit entities that have no working arrangements carried out the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings, the group auditor shall when requested, also be responsible for ensuring proper delivery of the additional documentation on the assurance work performed by such third-country auditors or audit entities, including the working papers relevant to the assurance of consolidated sustainability reporting. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditors or audit entities that he is to be given unrestricted access to such documentation upon request, or take any other appropriate action.

(8) Where assurance working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that the group auditor has undertaken the appropriate procedures in order to gain access to the assurance documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.

Assurance report on sustainability reporting.

35. (1) The statutory auditor or audit firm shall submit the results of the assurance of sustainability reporting in an assurance report on sustainability reporting. That report shall be prepared in compliance with standards adopted in terms of the Accountancy Profession Act or any regulations issued thereunder. The assurance report on sustainability reporting shall be in writing and shall:

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(a) identify the entity whose annual or consolidated sustainability reporting is the subject of the assurance engagement; specify the annual or consolidated sustainability reporting and the date and period it covers; and identify the sustainability reporting framework that has been applied in its preparation; and

(b) include a description of the scope of the assurance of sustainability reporting which shall as a minimum, identify the assurance standards in accordance with which the assurance of sustainability reporting was conducted.

(2) Where the assurance of sustainability reporting was carried out by more than one (1) auditor or audit firm, the auditors or the audit firms shall agree on the results of the assurance of sustainability reporting and submit a joint report and opinion. In the case of disagreement, each auditor or audit firm shall submit their opinion in a separate paragraph of the assurance report on sustainability reporting and shall state the reason for the disagreement.

(3) The assurance report on sustainability reporting shall be signed and dated by the auditor carrying out the assurance of sustainability reporting. Where an audit firm carries out the assurance of sustainability reporting, the assurance report on sustainability reporting shall bear the signature of at least the auditors carrying out the assurance of sustainability reporting on behalf of the audit firm. Where more than one (1) auditor or audit firm have been simultaneously engaged, the assurance report on sustainability reporting shall be signed by all the auditors or at least by the auditors carrying out the assurance of sustainability reporting on behalf of every audit firm.

(4) The copy of the assurance report on sustainability which is delivered to the Registrar shall state the names of the auditors involved. In exceptional circumstances, the Minister may at his discretion, determine that such signatures may not be disclosed to the public if such disclosure may lead to an imminent and significant threat to the personal security of any person. In any case, the names of the persons involved in the carrying out of the assurance of sustainability reporting shall be known to the Registrar.

(5) Where the same auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance report on sustainability reporting may be included as a separate section of the audit report referred to under article 179A of the Act.

(6) The report of the auditor or the audit firm on the consolidated sustainability reporting shall comply with the requirements prescribed in sub-regulations (1) to (5).

Regulatory arrangements between Member States as regards the assurance of sustainability reporting. S.L. 281.01.

36. The provisions of regulations 8(1) to (10) and regulation 8A of the Accountancy Profession Regulations, as regards the statutory audit of financial statements, shall apply, *mutatis mutandis*, to the assurance of sustainability reporting.

Appointment of auditors or audit firms.

37. The provisions of article 151 of the Act shall apply to the appointment of the auditor or audit firm for the purpose of the assurance of sustainability reporting.

Shareholders of large undertakings subject to regulations 6 to 22.

38. Shareholders of large undertakings subject to regulations 6 to 22, except for listed public-interest entities, and which represent more than five percent (5%) of the voting rights or five percent (5%) of the capital of the undertaking, acting individually or collectively, shall have the right to table a draft resolution to be adopted in the general meeting, requiring that an auditor that does not belong to the same audit firm or network as the auditor or audit firm carrying out the statutory audit prepare a report on certain elements of the sustainability reporting and that such report be made available to the general meeting.

Assurance report on sustainability reporting.

39. Undertakings may appoint an auditor or an audit firm other than the one or ones carrying out the statutory audit of the annual accounts in order to prepare the assurance report on sustainability reporting.

Audit committee.

40. The functions assigned to the audit committee and relating to sustainability reporting and to the assurance of sustainability reporting may be performed by the Board of directors as a whole or by a dedicated body established by the Board of directors.

Transitory provisions.

41. (1) Until 6th January 2030, a Union subsidiary undertaking which is subject to regulations 6 to 14 relating to sustainability reporting or regulations 15 to 22 relating to consolidated sustainability reporting, and whose parent undertaking is not governed by the laws of a Member State may prepare consolidated sustainability reporting, in accordance with regulations 15 to 22, that includes all Union subsidiary undertakings of such parent undertaking that are subject to sustainability reporting in terms of regulations 6 to 14 or consolidated sustainability reporting in terms of regulations 15 to 22.

(2) Until 6th January 2030, the consolidated sustainability reporting referred to in sub-regulation (1) shall include the disclosures stipulated in Article 8 of Regulation (EU) 2020/852, on the establishment of a framework to facilitate sustainable investment, and sustainability-related disclosures in the financial services sector, covering the activities carried out by all Union subsidiary undertakings of the parent undertaking referred to in sub-regulation (1) that are subject to sustainability reporting in terms of regulations 6 to 14 or consolidated sustainability reporting in terms of regulations 15 to 22.

(3) The Union subsidiary undertaking referred to in sub-regulation (1) shall be one (1) of the Union subsidiary undertakings of the group that generated the greatest turnover in the Union in at least one (1) of the preceding five (5) financial years, on a consolidated basis, where applicable.

(4) The consolidated sustainability reporting referred to in sub-regulation (1) shall be published in accordance with article 183 of the Act.

(5) For the purpose of the exemption stipulated in regulation 14(1) to (8) and regulation 22(1) to (8), reporting in accordance with regulation 41(1) shall be considered to be reporting by a parent undertaking at group level with respect to the undertakings included in the consolidation. Reporting in accordance with regulation 41(1) and (2) shall be considered to fulfil the conditions referred to in regulation 14(3)(c) and regulation 22(3)(c), respectively.