The *Saeima1* has adopted and

the President has proclaimed the following law:

**Law on Sustainability Disclosures**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) The following terms are used in this Law:

1) **sustainability matters** – environmental rights, social rights and human rights, and governance factors, including sustainability factors within the meaning of Article 2(24) 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 (hereinafter – Regulation (EU) No 2019/2088);

2) **small and non-complex institutions** – institutions within the meaning of Article 4(1)(145) 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 (hereinafter – Regulation (EU) No 575/2013);

3) **third country** – any country, except for a European Union Member State, a country of the European Economic Area, and the Swiss Confederation.

(2) The term “public-interest entity” corresponds to the term used in the Law on Audit Services, the terms “undertaking” and “group of companies” correspond to the terms used in the Law on Annual Statements and Consolidated Annual Statements, the term “credit institution” corresponds to the term used in the Credit Institution Law, the terms “insurance and reinsurance undertakings” and “captive insurance and captive reinsurance undertakings” correspond to the terms used in the Insurance and Reinsurance Law, the concept “transferable securities are admitted to trading on a regulated market” correspond to the concept used in the Financial Instrument Market Law.

(3) In this Law, a sustainability report means information related to sustainability matters in accordance with Sections 4, 7, and 12 of this Law.

**Section 2. Purpose of this Law**

The purpose of the Law is to provide publicly available and comparable information to understand the impact of the activities of the subject of the Law on sustainability matters, and information on how sustainability matters affect the development, performance results, and position of the subject.

**Section 3. Subjects of the Law**

(1) The Law applies to the following undertakings registered in the Republic of Latvia:

1) commercial companies that are large undertakings and parent undertakings of a large group of companies;

2) medium-sized and small undertakings, except for micro-undertakings, if the transferable securities of these undertakings are admitted to trading on a regulated market;

3) large subsidiaries or small and medium-sized subsidiaries if the transferable securities of these undertakings are admitted to trading on a regulated market and the main parent undertaking of the abovementioned undertakings is governed by the legal acts of a third country (hereinafter – the subsidiaries of a third-country undertaking);

4) branches that are branches of an undertaking governed by the legal acts of a third country if the net turnover of these branches in the previous reporting year on the balance sheet date exceeds EUR 40 000 000 and if the net turnover of this third country undertaking at a group level in the European Union for two consecutive reporting years on the balance sheet date exceeds EUR 150 000 000 (hereinafter – the branch of a third-country undertaking).

(2) This Law shall not apply to credit unions, collective investment funds in transferable securities, as well as alternative investment funds.

(3) When applying this Law for the determination of its subjects, i.e. large undertakings, medium-sized undertakings and small undertakings, and also a large group of companies, the threshold values of the criteria set out in the Law on Annual Statements and Consolidated Annual Statements shall be used.

(4) The net turnover referred to in Paragraph one, Clause 4 of this Section and in Section 13, Paragraph one of this Law shall be revenues as defined in the system for drawing up financial statements or its meaning on the basis of which the financial statements of a third-country undertaking are prepared.

**Chapter II**

**Contents of the Sustainability Report and Consolidated Sustainability Report, Exemptions from the Provision of These Reports**

**Section 4. Sustainability Report**

(1) The subject of the Law referred to in Section 3, Paragraph one, Clauses 1, 2, and 3 of this Law has the obligation to include in the management report sustainability information which provides an understanding of the impact of the activities of the subject of the Law on sustainability matters and information on how sustainability matters affect the development, performance results, and position of the subject of the Law. The abovementioned sustainability information shall be clearly identifiable and included in a separate section in the management report.

(2) The information referred to in Paragraph one of this Section is as follows:

1) a brief description of the business model and strategy of the subject of the Law, including:

a) the resilience of the business model and strategy against risks related to sustainability matters;

b) the opportunities related to sustainability matters;

c) plans, including implementation actions and related financial and investment plans aimed at ensuring that the business model and strategy of the subject of the Law are directed towards the transition to sustainable economy and limiting of global warming to 1.5°C in accordance with the Paris Agreement adopted on 12 December 2015 within the scope of the United Nations Framework Convention on Climate Change and the objective to achieve climate neutrality by 2050 as laid down 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”) (hereinafter – Regulation (EU) No 2021/1119) and, where applicable, the extent to which the subject of the Law is affected by activities with coal, oil, and gas;

d) the information on how the business model and strategy of the subject of the Law take into account the interests of the stakeholders of the subject of the Law (persons who can affect the subject of the Law or who can be affected by the subject of the Law) and the impact of the subject of the Law on sustainability matters;

e) the information on the implementation of the strategy of the subject of the Law with regard to sustainability matters;

2) the description of the sustainability objectives, indicators, and planned deadlines set by the subject of the Law and, if applicable, the absolute greenhouse gas emission reduction objectives and indicators for at least 2030 and 2050, the description of the measures implemented by the subject of the Law, and a statement on the linking of the objectives and indicators of environmental factors to scientifically based data;

3) the description of the functions of the executive board, supervisory board, and another similar administrative body of the subject of the Law in addressing sustainability matters and the conformity of their expertise and skills with the performance of the functions or the resources available for acquiring such expertise or skills;

4) the description of the policy of the subject of the Law in relation to sustainability matters;

5) the information on incentives available to the executive board, supervisory board, and another similar administrative body in respect of addressing sustainability matters;

6) the description of:

a) the due diligence process implemented by the subject of the Law with regard to sustainability matters, if applicable, in accordance with the requirements of due diligence process laid down in the legal acts of the European Union;

b) the main actual or potential adverse impacts related to the activities and value chain of the subject of the Law and also its products and services, including business relationships and supply chain, the actions taken to identify and monitor the abovementioned impact, and other adverse impacts that the subject of the Law has the obligation to identify in accordance with other requirements of the due diligence process laid down in the legal acts of the European Union;

c) any action taken by the subject of the Law to prevent, mitigate, remedy, or terminate the actual or potential adverse impact and the results of such activities;

7) a description of the most significant risks related to sustainability matters of the subject of the Law, including a characterisation of the most significant impact factors and information on the relevant risk management process implemented by the subject of the Law;

8) the indicators relating to the disclosure of the information referred to in Clauses 1, 2, 3, 4, 5, 6, and 7 of this Paragraph.

(3) The subject of the Law shall include information on the sources and methods of obtaining sustainability information in the sustainability report. The sustainability report should provide information in the short-term, medium-term, and long-term perspectives, if applicable.

(4) The information provided in accordance with Paragraphs one and two of this Section shall, where necessary, include information on the activities of the subject of the Law itself, on its value chain and also its products and services, business relationships, and supply chains.

(5) If all the information necessary in accordance with Paragraph four of this Section on the value chain of the subject of the Law is not available, in the first three reporting years (after the obligation to prepare a sustainability report imposed on the relevant subject of the Law by this Law), the subject of the Law shall describe the efforts (measures) taken to obtain information on its value chain, the reasons why it was not possible to obtain all the necessary information, and its plans for obtaining the necessary information in the future.

(6) Where appropriate, if necessary, the information referred to in Paragraphs one and two of this Section shall be indicated in relation to the amounts indicated in the financial statement and shall include additional explanations in relation to other information included in the management report as regards sustainability matters.

(7) As an exception, the subject of the Law need not provide information on the events which are expected to take place within the nearest year or matters under negotiations if both of the following conditions are met:

1) the executive board of the subject of the Law or the members of a partnership who have the right of representation provide, in a written report to the meeting of shareholders (stockholders) of the subject of the Law, an explanation of the circumstances due to which the disclosure of the abovementioned information would seriously harm the commercial activities of the subject;

2) failure to provide the abovementioned information does not constitute an obstacle for getting a clear and true understanding of the development, performance results, financial position of the subject of the Law and the impact of its commercial activity.

(8) The subject of the Law shall provide the information referred to in Paragraphs one, two, three, four, five, six, and seven of this Section in accordance with the sustainability reporting standards referred to in Section 10 of this Law and approved by the implementing acts of the European Commission.

(9) The executive board of the subject of the Law shall, when preparing the information referred to in Paragraph two of this Section, including Clause 6 thereof, inform the representatives of its employees in a timely manner and to an appropriate extent or, if there are none, its employees and shall discuss the relevant information and the means of obtaining and verifying sustainability information with them. The opinion of employees shall, to the extent applicable, be communicated to the appropriate executive board, supervisory board, and other similar administrative bodies.

(10) The subject of the Law which is a small and medium-sized undertaking, if the transferable securities of this undertaking are admitted to trading on a regulated market, a small and non-complex institution, a captive insurance undertaking, or a captive reinsurance undertaking may, regardless of the applicability of Sections 5 and 6 of this Law and the requirements of Paragraphs two, three, four, five, six, seven, and eight of this Section, limit the provision of its sustainability information by indicating only the following information:

1) a brief description of the business model and strategy of the subject of the Law;

2) the description of the policy of the subject of the Law in relation to sustainability matters;

3) the main actual or potential adverse impact of the subject of the Law on sustainability matters and any action taken by the subject of the Law to prevent, mitigate, remedy, or terminate the actual or potential adverse impact;

4) a description of the most significant risks of the subject of the Law related to sustainability matters and information on the relevant risk management process implemented by the subject of the Law;

5) the main indicators necessary for the disclosure of the information referred to in Paragraph ten, Clauses 1, 2, 3, and 4 of this Section.

(11) The subject of the Law to which the conditions of Paragraph ten of this Section apply shall prepare a sustainability report in accordance with the sustainability reporting standards for small and medium-sized undertakings referred to in Section 11 of this Law.

(12) If the subject of the Law has fulfilled the requirements laid down in Paragraphs one, two, three, four, five, six, seven, eight, nine, and ten of this Section, it shall be deemed that it has fulfilled the obligation set out in the laws and regulations governing the preparation of the annual statement and consolidated annual statement for the provision of certain non-financial indicators.

**Section 5. Exemption for the Subject of the Law who is a Subsidiary from the Obligation to Prepare a Sustainability Report**

(1) The subject of the Law who is a subsidiary shall be exempt from the obligation to prepare a sustainability report in accordance with the procedures laid down in Section 4 of this Law if information on the sustainability matters of this subject and its subsidiary is included in the consolidated sustainability report of another parent undertaking registered in the Republic of Latvia or a Member State of the European Union which has been prepared in accordance with the requirements of Section 7 of this Law, provided that the following information is included in the management report of this subject:

1) the name and legal address of the parent undertaking which provides information at the level of the group of companies in accordance with Section 4, Paragraph eight of this Law;

2) a website link to the consolidated management report of the parent undertaking and to the assurance report prepared in accordance with the procedures laid down in Section 16 of this Law;

3) information on the applicability of the exemption laid down in this Section to the subject of the Law.

(2) The subsidiary shall ensure that the consolidated management report of the parent undertaking is published on its website in Latvian.

(3) For the enforcement of Paragraph one of this Section, credit institutions which are permanently affiliated with the central authority which supervises them in accordance with the conditions provided for in Article 10 of Regulation (EU) No 575/2013 (if applicable) shall be considered subsidiaries of the abovementioned central authority.

(4) For the enforcement of Paragraph one of this Section, insurance undertakings which are centrally coordinated by another company in accordance with Section 1, Paragraph one, Clause 41, Sub-clause “b” of the Insurance and Reinsurance Law shall be considered subsidiaries of the parent undertaking of the group of companies.

(5) The exemption laid down in Paragraph one of this Section shall not apply to such subjects of the Law referred to in this Section which are large undertakings the transferable securities of which are admitted to trading on a regulated market.

**Section 6. Exemption for a Subsidiary of a Third-country Undertaking from the Obligation to Prepare a Sustainability Report**

(1) The subsidiary of a third-country undertaking shall be exempt from the obligation to prepare a sustainability report in accordance with the procedures laid down in Section 4 of this Law if information on the sustainability matters of the subject of this Law and its subsidiary (if applicable) is included in the consolidated sustainability report of the parent undertaking registered in the third country which has been prepared in accordance with the sustainability reporting standards adopted in accordance with Section 10 of this Law, or in a manner equivalent to the abovementioned sustainability reporting standards, and all of the following conditions are met:

1) the management report of the subject of the Law referred to in Paragraph one of this Section includes the following information:

a) the name and legal address of the parent undertaking registered in a third country which provides information at the level of group of companies in accordance with the sustainability reporting standards or in a manner equivalent to abovementioned sustainability reporting standards;

b) a website link to the published consolidated sustainability report and assurance report of the parent undertaking registered in a third country;

c) information on the applicability of the exemption laid down in this Section to the subject of the Law;

2) if the parent undertaking is registered in a third country, the consolidated sustainability report and the assurance report of such parent undertaking which have been provided by one or more persons or legal persons authorised to provide an assurance report in accordance with the legal acts governing the abovementioned parent undertaking shall be made public in accordance with the conditions for the publication of the annual statement and in accordance with the requirements for disclosure laid down in the relevant laws and regulations governing the subsidiary of the exempted third-country undertaking;

3) if the parent undertaking of the subject of the Law is registered in a third country, the information to be disclosed on the activities and sustainability matters of the relevant subject of the Law and its subsidiaries as provided for in Article 8 of Regulation (EU) No 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 (hereinafter – Regulation (EU) No 2020/852) shall be included in the management report or consolidated sustainability report of the subject of the Law drawn up by the parent undertaking registered in the third country.

(2) The subsidiary of a third-country undertaking shall ensure that the consolidated sustainability report of the parent undertaking registered in the third country is published on its website in Latvian.

(3) For the enforcement of Paragraph one of this Section, credit institutions which are permanently affiliated with the central authority which supervises them in accordance with the conditions provided for in Article 10 of Regulation (EU) No 575/2013 (if applicable) shall be considered subsidiaries of the abovementioned central authority.

(4) For the enforcement of Paragraph one of this Section, insurance undertakings which are centrally coordinated by another undertaking in accordance with Section 1, Paragraph one, Clause 41, Sub-clause “b” of the Insurance and Reinsurance Law are considered subsidiaries of the parent undertaking of the group of companies.

(5) The exemption laid down in Paragraph one of this Section shall not apply to such subjects of the Law referred to in this Section which are large undertakings the transferable securities of which are admitted to trading on a regulated market.

**Section 7. Consolidated Sustainability Report**

(1) The parent undertaking of a large group of companies has the obligation to include sustainability information in the consolidated management report which provides an understanding of the impact of the activities of the group of companies on sustainability matters and information on the impact of sustainability matters on the development, performance results, and position of the group of companies – the consolidated sustainability report. The abovementioned sustainability information shall be clearly identifiable and included in a separate section in the consolidated management report.

(2) The information referred to in Paragraph one of this Section is as follows:

1) a brief description of the business model and strategy of the group of companies, including:

a) the resilience of the business model and strategy against risks related to sustainability matters;

b) the opportunities related to sustainability matters;

c) plans, including implementation actions and related financial and investment plans aimed at ensuring that the business model and strategy of the group of companies are directed towards the transition to sustainable economy and limiting global warming to 1.5°C in accordance with the Paris Agreement adopted on 12 December 2015 within the cope of the United Nations Framework Convention on Climate Change and the objective to achieve climate neutrality by 2050 as laid down in Regulation (EU) 2021/1119 and, where applicable, the extent to which the subject of the Law is affected by activities with coal, oil, and gas;

d) the information on how the business model and strategy of the group of companies take into account the interests of the stakeholders of the group of companies (persons who may affect the subject of the Law or who may be affected by the subject of the Law) and the impact of the group of companies on sustainability matters;

e) the information on how the strategy of the group of companies is implemented with regard to sustainability matters;

2) the description of the sustainability objectives, indicators, and planned deadlines set by the group of companies and, if applicable, the absolute greenhouse gas emission reduction objectives and indicators for at least 2030 and 2050, the description of the measures implemented by the group of companies, and a statement on the linking of the objectives and indicators of environmental factors to scientifically based data;

3) the description of the functions of the executive board, supervisory board, and other similar administrative bodies of the subjects of the Law involved in the consolidation in addressing sustainability matters and the conformity of their expertise and skills with the performance of the functions or the resources available for acquiring such expertise or skills;

4) the description of the policy of the group of companies as regards sustainability matters;

5) the information on incentives available to the executive board, supervisory board, and other similar administrative bodies of the subjects of the Law involved in the consolidation in respect of addressing sustainability matters;

6) the description of:

a) the due diligence process implemented by the group of companies with regard to sustainability matters, if applicable, in accordance with the requirements of due diligence process laid down in the legal acts of the European Union;

b) the main actual or potential adverse impacts related to the activities and value chain of the group of companies and also its products and services, including business relationships and supply chain, the actions taken to identify and monitor the abovementioned impact, and other adverse impacts that the parent undertaking of the group of companies has an obligation to identify in accordance with other requirements of the due diligence process laid down in the legal acts of the European Union;

c) any action taken by the group of companies to prevent, mitigate, remedy, or terminate the actual or potential adverse impact and the results of such activities;

7) a description of the most significant risks related to sustainability matters of the group of companies, including a characterisation of the most significant impact factors and information on the relevant risk management process implemented by the group of companies;

8) the indicators relating to the disclosure of the information referred to in Clauses 1, 2, 3, 4, 5, 6, and 7 of this Paragraph.

(3) The parent undertaking of a group of companies shall include information on the sources and methods of obtaining sustainability information in the consolidated sustainability report. The consolidated sustainability report should provide information in the short-term, medium-term, and long-term perspectives, if applicable.

(4) The information provided in accordance with Paragraphs one and two of this Section shall, where necessary, include information on the activities of the group of companies itself, on its value chain and also its products and services, business relationships, and supply chains.

(5) If all the information necessary in accordance with Paragraph four of this Section on the value chain of the group of companies is not available, in the first three reporting years (after the obligation to prepare a sustainability report imposed on the relevant group of companies by this Law), the parent undertaking shall describe the efforts (measures) taken to obtain information on its value chain, the reasons why it was not possible to obtain all the necessary information, and its plans for obtaining the necessary information in the future.

(6) Where appropriate and if necessary, the information referred to in Paragraphs one and two of this Section shall also include references and additional explanations of other information included in the consolidated management report and the amounts indicated in the consolidated financial statements as regards sustainability matters.

(7) As an exception, the parent undertaking of a group of companies need not provide information on the events which are expected to take place within the nearest year or matters under negotiations if both of the following conditions are met:

1) the executive board of the parent undertaking or the members of a partnership who have the right of representation provide to the meeting of shareholders (stockholders) of the parent undertaking referred to in a written report an explanation of the circumstances due to which the disclosure of the abovementioned information would seriously harm the commercial activities of the group of companies;

2) failure to provide the abovementioned information does not constitute an obstacle for getting a clear and true understanding of the development, performance results, financial position of the group of companies and the impact of commercial activity of the group of companies.

(8) If significant differences are established for the subject of the Law involved in the consolidation between the risks that are material to the group of companies or the influence of the group of companies and the risks that threaten one or more subsidiaries, or the influence of a subsidiary or subsidiaries, such subject of the Law shall ensure a proper understanding of the material risks of one or more such subsidiaries and the influence of one or more such subsidiaries respectively.

(9) The subject of the Law involved in the consolidation shall indicate whether the subsidiaries included in the consolidation are exempt from preparing a sustainability report in the management report of the annual statement or at the consolidated level, respectively, in accordance with Sections 5 and 8 of this Law.

(10) The parent undertaking shall provide the information referred to in Paragraphs one, two, three, four, five, and six of this Section in accordance with the standards for providing sustainability information referred to in Section 10 of this Law and approved by the implementing acts of the European Commission.

(11) The executive board of the parent undertaking shall, when preparing the information referred to in Paragraph two of this Section, including Clause 6 thereof, inform the representatives of its employees in a timely manner and to an appropriate extent or, if there are none, its employees and shall discuss the relevant information and the means of obtaining and verifying sustainability information with them. The opinion of employees shall, to the extent applicable, be communicated to the appropriate executive board, supervisory board, and other similar administrative bodies.

(12) If the parent undertaking has fulfilled the requirements laid down in Paragraphs one, two, three, four, five, six, seven, eight, nine, and ten of this Section, it shall be deemed that it has fulfilled the obligation set out in the laws and regulations governing the preparation of the annual statement and consolidated annual statement with regard to the provision of certain non-financial indicators and the obligation laid down in Section 4 of this Law to prepare a sustainability report.

**Section 8. Exemption for a Parent Undertaking which is also a Subsidiary from the Obligation to Prepare a Consolidated Sustainability Report**

(1) A parent undertaking which is also a subsidiary is exempt from the obligation to prepare a consolidated sustainability report in accordance with the procedures laid down in Section 7 of this Law if information on the sustainability matters of this subject and its subsidiary is included in the consolidated management report prepared by another undertaking registered in the Republic of Latvia or a Member State of the European Union which has been prepared in accordance with the requirements of Section 7 of this Law, provided that the following information is included in the management report of such exempted parent undertaking:

1) the name and legal address of the parent undertaking that provides information at the level of the group of companies in accordance with Section 7, Paragraph ten of this Law;

2) a website link to the consolidated management report of the parent undertaking and to the assurance report prepared in accordance with the procedures laid down in Section 16 of this Law;

3) information on the applicability of the exemption laid down in this Section to this subject of the Law.

(2) The parent undertaking which is also a subsidiary shall ensure that the consolidated management report of the parent undertaking is published on its website in Latvian.

(3) For the enforcement of Paragraph one of this Section, credit institutions which are permanently affiliated with the central authority which supervises them in accordance with the conditions provided for in Article 10 of Regulation (EU) No 575/2013 (if applicable) shall be considered subsidiaries of the abovementioned central authority.

(4) For the enforcement of Paragraph one of this Section, insurance undertakings which are centrally coordinated by another company in accordance with Section 1, Paragraph one, Clause 41, Sub-clause “b” of the Insurance and Reinsurance Law shall be considered subsidiaries of the parent undertaking of the group of companies.

(5) The exemption laid down in Paragraph one of this Section shall not apply to such subjects of the Law referred to in this Section which are large undertakings the transferable securities of which are admitted to trading on a regulated market.

**Section 9. Exemption for a Parent Undertaking which is also a Subsidiary of a Parent Company Registered in a Third Country from the Obligation to Prepare a Consolidated Sustainability Report**

(1) A parent undertaking which is also a subsidiary of a parent undertaking registered in a third country is exempt from the obligation to prepare a consolidated sustainability report in accordance with the procedures laid down in Section 7 of this Law if information on the sustainability matters of the subject of this Law and its subsidiary (if applicable) is included in the consolidated sustainability report of the parent undertaking registered in the third country which has been prepared in accordance with the sustainability reporting standards adopted in accordance with Section 10 of this Law, or in a manner equivalent to the abovementioned sustainability reporting standards, and all of the following conditions are met:

1) the management report of the subject of the Law referred to in Paragraph one of this Section includes the following information:

a) the name and legal address of the parent undertaking registered in a third country which provides information at the level of group of companies in accordance with the sustainability reporting standards or in a manner equivalent to abovementioned sustainability reporting standards;

b) a website link to the published consolidated sustainability report and assurance report of the parent undertaking registered in a third country;

c) information on the applicability of the exemption laid down in this Section to this subject of the Law;

2) if the parent undertaking is registered in a third country, the consolidated sustainability report and the assurance report of such parent undertaking which have been provided by one or more persons or legal persons authorised to provide an assurance report in accordance with the legal acts governing the abovementioned parent undertaking, shall be made public in accordance with the conditions for the publication of the annual statement and in accordance with the requirements for disclosure laid down in the relevant laws and regulations governing the subsidiary of the exempted parent undertaking;

3) if the parent undertaking is registered in a third country, the information to be disclosed and provided for in Article 8 of Regulation (EU) No 2020/852 on the activities and sustainability matters of the relevant subject of the Law and its subsidiaries shall be included in the management report of the parent undertaking or the consolidated sustainability report drawn up by the parent undertaking registered in the third country.

(2) A parent undertaking which is also a subsidiary of a parent undertaking registered in a third country shall ensure that the consolidated sustainability report of the parent undertaking registered in the third country is published on its website in Latvian.

(3) For the enforcement of Paragraph one of this Section, credit institutions which are permanently affiliated with the central authority which supervises them in accordance with the conditions provided for in Article 10 of Regulation (EU) No 575/2013 (if applicable) shall be considered subsidiaries of the abovementioned central authority.

(4) For the enforcement of Paragraph one of this Section, insurance undertakings which are centrally coordinated by another company in accordance with Section 1, Paragraph one, Clause 41, Sub-clause “b” of the Insurance and Reinsurance Law are considered subsidiaries of the parent undertaking of the group of companies.

(5) The exemption laid down in Paragraph one of this Section shall not apply to such subjects of the Law referred to in this Section which are large undertakings the transferable securities of which are admitted to trading on a regulated market.

**Chapter III**

**Sustainability Reporting Standards and Single Electronic Reporting Format**

**Section 10. Sustainability Reporting Standards**

(1) The sustainability report and also the consolidated sustainability report shall be prepared in accordance with the requirements laid down in Sections 4 and 7 of this Law in accordance with the sustainability reporting standards adopted in accordance with 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.

(2) Sustainability reporting standards shall, taking into account the subject matter of the specific sustainability reporting standard, specify the information which the subject of the Law has the obligation to disclose on sustainability matters.

**Section 11. Sustainability Reporting Standards for a Small and Medium-sized Undertaking**

The subject of the Law that is a small and medium-sized undertaking, if the transferable securities of this undertaking are admitted to trading on a regulated market, a small and non-complex institution, a captive insurance undertaking or a captive reinsurance undertaking shall, in accordance with Section 4, Paragraph ten of this Law, prepare the sustainability report in conformity with the sustainability reporting standards for small and medium-sized undertakings approved by the implementing acts of the European Commission.

**Section 12. Single Electronic Reporting Format**

(1) Undertakings to which the requirements of Section 4 of this Law apply shall prepare a management report in the electronic reporting format in accordance with 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 (hereinafter – Regulation (EU) No 2019/815) and mark up the sustainability information provided in the sustainability report, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format set out in the abovementioned Delegated Regulation.

(2) The subject of the Law that is a parent undertaking to which Section 7 of this Law applies shall prepare the consolidated management report in an electronic reporting format in accordance with Article 3 of Regulation (EU) No 2019/815 and mark up the sustainability information provided in the sustainability report, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format set out in the abovementioned Delegated Regulation.

**Chapter IV**

**Sustainability Reports in Relation to Subsidiaries of Third-country Undertakings and Branches of Third-country Undertakings**

**Section 13. Requirements for the Preparation and Publication of a Sustainability Report of a Subsidiary of a Third-country Undertaking**

(1) A subsidiary of a third-country undertaking referred to in Section 3, Paragraph one, Clause 3 of this Law, if the net turnover of the parent undertaking registered in a third country at the level of a group of companies in the European Union exceeds EUR 150 000 000 at the balance sheet date for two consecutive reporting years, shall publish a sustainability report that includes the information specified in Section 7, Paragraph two, Clause 1, Sub-clauses “c”, “d”, “e”, Clauses 2, 3, 4, 5, 6 and, if applicable, Clause 8 of this Law by publishing a sustainability report at the level of the group of companies of the parent undertaking registered in a third country.

(2) The sustainability report referred to in Paragraph one of this Section shall be prepared in accordance with the sustainability reporting standards for third-country undertakings approved by the implementing acts of the European Commission.

(3) Notwithstanding Paragraph two of this Section, the sustainability report referred to Paragraph one of this Section may be prepared in accordance with the sustainability reporting standards specified in Section 10 of this Law or in a manner equivalent to the abovementioned sustainability reporting standards.

(4) If the information referred to in Paragraph one of this Section which is necessary for the preparation of the sustainability report is not available, a subsidiary of a third-country undertaking shall request that its parent undertaking registered in the third country provides all the information that it requires for the preparation and publication of the sustainability report.

(5) If all the required information is not provided, a subsidiary of a third-country undertaking shall prepare and publish the sustainability report referred to in Paragraph one of this Section which shall include all the information at its disposal, obtained or received, and shall issue (prepare) a statement indicating that its parent undertaking registered in the third country has not provided the required information.

(6) The sustainability report referred to in Paragraph one of this Section shall be made public together with an assurance report provided by one or more persons or undertakings authorised to do so in accordance with the legal acts of the parent undertaking registered in a third country or a Member State.

(7) If the parent undertaking registered in a third country does not provide an assurance report in accordance with Paragraph six of this Section, a subsidiary of the third-country undertaking shall issue (prepare) a statement indicating that its parent undertaking registered in a third country has not provided an assurance report.

(8) The sustainability report, together with the assurance report and, where applicable, the statement referred to in Paragraph five of this Section, shall be submitted to the Electronic Declaration System of the State Revenue Service, taking into account the time limits for submitting the annual statement specified in the relevant laws and regulations.

(9) The sustainability report submitted in accordance with the procedures laid down in Paragraph eight of this Section shall be prepared in Latvian or translated into Latvian if a subsidiary of a third-country undertaking has received the sustainability report of the parent undertaking registered in a third country and it is not in Latvian.

(10) A subsidiary of a third-country undertaking shall publish the sustainability report, together with the assurance report and, where applicable, the statement referred to in Paragraph five of this Section free of charge on the website of the subsidiary of the third-country undertaking, taking into account the time limits for submitting the annual statement laid down in the relevant laws and regulations.

**Section 14. Requirements for the Preparation and Publication of a Sustainability Report by the Branch of a Third-country Undertaking**

(1) The branch of a third-country undertaking referred to in Section 3, Paragraph one, Clause 4 of this Law shall publish a sustainability report containing the information specified in Section 7, Paragraph two, Clause 1, Sub-clauses “c”, “d”, “e”, Clauses 2, 3, 4, 5, 6 and, if applicable, the information specified in Clause 8 of this Law by publishing the sustainability report at the level of the group of companies registered in the third country or, if not applicable, at the individual level.

(2) The branch of a third-country undertaking shall apply that referred to in Paragraph one of this Section only if its undertaking registered in the third country does not have a subsidiary of the third-country undertaking referred to in Section 13 of this Law.

(3) The sustainability report referred to in Paragraph one of this Section shall be prepared in accordance with the sustainability reporting standards for third-country undertakings approved by the implementing acts of the European Commission.

(4) Notwithstanding Paragraph three of this Section, the sustainability report referred to in Paragraph one of this Section may be prepared in accordance with the sustainability reporting standards specified in Section 10 of this Law or in a manner equivalent to the abovementioned sustainability reporting standards.

(5) If the information referred to in Paragraph one of this Section which is necessary for the preparation of the sustainability report is not available, the branch of a third-country undertaking shall request that its undertaking registered in the third country provides all the information that it requires for the preparation and publication of the sustainability report.

(6) If all the required information is not provided, the branch of a third-country undertaking shall prepare and publish the sustainability report referred to in Paragraph one of this Section which shall include all the information at its disposal, obtained or received, and shall issue (prepare) a statement indicating that its undertaking registered in the third country has not provided the required information.

(7) The sustainability report referred to in Paragraph one of this Section shall be made public together with an assurance report provided by one or more persons or undertakings authorised to do so in accordance with the legislation of the undertaking registered in the third country or the Member State.

(8) If an undertaking registered in a third country does not provide an assurance report in accordance with Paragraph seven of this Section, the branch of a third-country undertaking shall issue (prepare) a statement indicating that its undertaking registered in the third country has not provided an assurance report.

(9) The sustainability report, together with the assurance report and, where applicable, the statement referred to in Paragraph six of this Section, shall be submitted electronically in the Electronic Declaration System of the State Revenue Service not later than 12 months after the balance sheet date of the reporting year.

(10) The State Revenue Service shall, not later than within five working days after receipt of the documents referred to in Paragraph nine of this Section, electronically transfer them to the Enterprise Register of the Republic of Latvia (hereinafter – the Enterprise Register). The documents shall be transferred to the Enterprise Register under the online data transmission mode.

(11) After receipt of the documents referred to in Paragraph nine of this Section, the Enterprise Register shall publish them on its website and they shall be available to the public free of charge.

(12) The sustainability report submitted in accordance with the procedures laid down in Paragraph nine of this Section shall be prepared in Latvian or translated into Latvian if the branch of a third-country undertaking has received the sustainability report of the undertaking registered in a third country and it is not in Latvian.

(13) The sustainability report, together with the assurance report and, where applicable, the statement referred to in Paragraph six of this Section, shall indicate information on the publication of the statement on the sustainability report specified in this Section on the website.

(14) The branch of a third-country undertaking shall publish the sustainability report together with the assurance report and, where applicable, the statement referred to in Paragraph six of this Section free of charge on the website of the branch of the third-country undertaking not later than 12 months after the balance sheet date of the reporting year.

**Section 15. Persons Responsible for the Preparation and Publication of the Sustainability Report on the Website**

(1) The executive board of a subsidiary (joint-stock company, limited liability company) of a third-country undertaking shall, within the limits of its knowledge and competence, be responsible for the preparation and publication of the sustainability report on the website in accordance with the procedures laid down Section 13 of this Law.

(2) The person or persons authorised to represent the branch of a third-country undertaking shall, within the limits of their knowledge and competence, be responsible for the preparation and publication of the sustainability report on the website in accordance with the procedures laid down in Section 14 of this Law.

**Chapter V**

**Assurance of the Sustainability Report and Consolidated Sustainability Report**

**Section 16. Assurance of a Sworn Auditor or a Commercial Company of Sworn Auditors**

(1) The subject of the Law referred to in Section 3, Paragraph one of this Law shall ensure that a sworn auditor or a commercial company of sworn auditors (hereinafter – the sworn auditor) once a year, during the audit of the annual statement and consolidated annual statement, provides assurance on the following:

1) the conformity of the sustainability report and the consolidated sustainability report (if there is an obligation to prepare one) with the requirements of this Law and the sustainability reporting standards;

2) the conformity of the format of the sustainability report and the consolidated sustainability report (if there is an obligation to prepare one) and the requirements for the marking (labelling) of the information contained therein with Section 12 of this Law as well as Article 8 of Regulation (EU) No 2020/852.

(2) The assurance of the sustainability report and consolidated sustainability report (if there is an obligation to prepare one) referred to in Paragraph one of this Section may be provided by a sworn auditor who also performs the audit of the annual statement or consolidated annual statement (if there is an obligation to prepare one) for the subject of the Law referred to in Section 3, Paragraph one of this Law. In such case, the sworn auditor shall comply with the requirements for a sustainability report assurance service provider laid down in the Law on Audit Services.

(3) A sworn auditor shall provide the assurance of the sustainability report and consolidated sustainability report (if there is an obligation to prepare one) and prepare the assurance report in accordance with the Law on Audit Services and the assurance standards for sustainability reporting.

**Section 17. Rights and Obligations of the Subject of the Law**

(1) The subject of the Law referred to in Section 3, Paragraph one of this Law shall provide the sworn auditor with all necessary information so that the sworn auditor could provide the assurance specified in Section 16, Paragraph one of this Law.

(2) The executive board of the subject of the Law shall be responsible for ensuring the assurance referred to in Section 16, Paragraph one of this Law.

**Transitional Provisions**

1. Until 6 January 2030, a subsidiary registered in the European Union the parent undertaking of which is not governed by the legal acts of a Member State of the European Union and which, between the subsidiaries of the group of companies registered in the European Union, has the largest turnover in the European Union within one of the five previous reporting years may, where applicable, prepare a consolidated sustainability report on a consolidated basis in accordance with Section 7 of this Law, including all such subsidiaries of the parent undertaking registered in a third country which are registered in the European Union and to which Section 4 or 7 of this Law applies.

2. Until 6 January 2030, the sustainability report referred to in Paragraph 1 of these Transitional Provisions may include the information specified in Article 8 of Regulation (EU) No 2020/852 on the activities carried out by the subjects referred to in Paragraph 1 of these Transitional Provisions.

3. The consolidated sustainability report referred to in Paragraph 1 of these Transitional Provisions shall be published by a subsidiary registered in the Republic of Latvia in accordance with the conditions for the publication of the annual statement laid down in the relevant laws and regulations.

4. When applying the exemption laid down in Sections 5 and 6 and Sections 8 and 9 of this Law to a subsidiary and a parent undertaking accordingly, reporting in accordance with the procedures laid down in Paragraph 1 of these Transitional Provisions shall be considered reporting by the parent undertaking at the level of the group of companies in relation to the undertakings included in the consolidation. Reporting in accordance with the procedures laid down in Paragraph 2 of these Transitional Provisions shall be deemed to conform to the conditions referred to in Sections 6 and 9 of this Law accordingly.

5. A large undertaking that is a public-interest entity and has more than 500 employees shall have the obligation to prepare the sustainability report referred to in Section 4 of this Law starting from the reporting year 2024 (the reporting year that begins on 1 January 2024 or during the calendar year 2024).

6. The parent undertaking of a large group of companies which is a public-interest entity and which has more than 500 employees shall have the obligation to prepare the consolidated sustainability report referred to in Section 7 of this Law, starting from the reporting year 2024 (the reporting year that begins on 1 January 2024 or during the calendar year 2024).

7. A large undertaking shall have the obligation to prepare the sustainability report referred to in Section 4 of this Law starting from the reporting year 2025 (the reporting year that begins on 1 January 2025 or during the calendar year 2025).

8. The parent undertaking of a large group of companies shall have the obligation to prepare the consolidated sustainability report referred to in Section 7 of this Law starting from the reporting year 2025 (the reporting year that begins on 1 January 2025 or during the calendar year 2025).

9. A small and medium-sized undertaking, if the transferable securities of these undertakings are admitted to trading on a regulated market, shall have the obligation to prepare the sustainability report referred to in Section 4 of this Law, starting from the reporting year 2026 (the reporting year that begins on 1 January 2026 or during the calendar year 2026).

10. A small and medium-sized undertaking, if the transferable securities of such undertaking are admitted to trading on a regulated market, need not include the sustainability report referred to in Section 4 of this Law in the management report for the reporting years beginning before 1 January 2028. In such cases, the subject of the Law shall provide a brief justification in the management report as to why the information on sustainability matters is not provided.

11. Small and non-complex institutions shall have the obligation to prepare the sustainability report referred to in Section 4 of this Law starting from the reporting year 2026 (the reporting year that begins on 1 January 2026 or during the calendar year 2026) if they correspond to one of the following undertakings:

1) a large undertaking;

2) a small or medium-sized undertaking if the transferable securities of these undertakings are admitted to trading on a regulated market.

12. Captive insurance companies and captive reinsurance companies shall have the obligation to prepare the sustainability report referred to in Section 4 of this Law starting from the reporting year 2026 (the reporting year that begins on 1 January 2026 or during the calendar year 2026) if they correspond to one of the following undertakings:

1) a large undertaking;

2) a small or medium-sized undertaking if the transferable securities of these undertakings are admitted to trading on a regulated market.

13. Small and non-complex institutions and captive insurance companies and captive reinsurance companies need not include the sustainability report referred to in Section 4 of this Law in the management report for the reporting years that begin before 1 January 2028 if they are small and medium-sized undertakings and their transferable securities are admitted to trading on a regulated market. In such cases, the subject of the Law shall provide a brief justification in the management report as to why the information on sustainability matters is not provided.

14. The requirement contained in Section 12, Paragraphs one and two of this Law to prepare the management report and the consolidated management report in the single electronic reporting format in accordance with Article 3 of Regulation (EU) No 2019/815 and to mark the sustainability information provided in the sustainability report and the consolidated sustainability report, including the disclosures specified in Article 8 of Regulation (EU) No 2020/852, shall apply from the day following the entry into force of the delegated act of the European Commission amending Regulation (EU) No 2019/815 as regards the technical requirements for marking.

15. The obligations arising from Chapter IV of this Law shall apply to a subsidiary of a third-country undertaking or the branch of a third-country undertaking starting from the reporting year 2028 (the reporting year beginning on 1 January 2028 or during the calendar year 2028).

**Informative Reference to European Union Directive**

The Law contains norms arising from 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.

The Law has been adopted by the *Saeima* on 26 September 2024.

President E. Rinkēvičs

Rīga, 3 October 2024