

Feedback on sustainability reporting standards: additional explanatory information regarding the value chain cap

This Q&A describes the new value-chain cap that was agreed by the co-legislators (Parliament and Council) as part of the [Omnibus I Directive](#) and explains how the voluntary reporting standard, published by the Commission for the Have-Your-Say public feedback, would function as part of the value chain cap. It also addresses certain specific questions to help stakeholders understand the value chain cap agreed by co-legislators.

Part A: the value-chain cap agreed by co-legislators in the Omnibus I Directive and the function of the voluntary reporting standard

1. What is the objective of the value chain cap introduced by the Omnibus I Directive and how will it work?

Companies subject to the [Corporate Sustainability Reporting Directive \(CSRD\)](#) are required to report on their sustainability risks, impacts and opportunities, including those arising from their value chain.

To meet these obligations, CSRD companies may need to obtain relevant information from companies in their value chain, including suppliers. This is often referred to as the “trickle-down effect”. It sometimes creates undue burden on companies in value chains, particularly smaller companies.

The Omnibus I Directive introduced a new “value chain cap” to limit the “trickle-down effect”. The value chain cap prohibits CSRD companies from requiring companies in their value chain that have 1000 employees or fewer, to provide more sustainability information than the content of the [sustainability reporting standard for voluntary use \(“voluntary standard”\)](#), to be adopted by the Commission as a delegated act.

The value chain cap applies only in the context of fulfilling CSRD reporting obligations and does not affect information requests for purposes other than sustainability reporting under CSRD.

2. What information specified in the voluntary standard is considered part of the value chain cap, based on the draft voluntary standard published by the Commission for the Have-Your-Say public feedback?

The proposed voluntary standard, which the Commission is seeking feedback on, comprises two modules: the basic module and the comprehensive module. The basic module has been designed for the smallest companies (micro-undertakings).

The comprehensive module builds on the basic module, so application of the basic module is a pre-requisite for applying the comprehensive module.

Each disclosure (i.e. each item of information to be reported) in the voluntary standard is assigned to one of the following four categories

1. “necessary”, meaning disclosures that a company applying the standard has to report
2. “necessary if applicable”, meaning disclosures that only have to reported under certain conditions
3. “voluntary”, meaning disclosures that a company applying the standard may report but does not have to report
4. “consideration when reporting sector information”, meaning additional information that might be important in the sector in which the company operates

The [draft delegated act](#) specifies that companies subject to the CSRD can only require companies in their value chain to provide the information corresponding to disclosures marked as “necessary”; they may not require companies in their value chain to provide information in the other categories. In other words, the value chain cap includes all the disclosures marked as “necessary” in both the basic and comprehensive modules.

However, for reasons of proportionality, some of the disclosures marked as “necessary” for companies with 11 to 1000 employees have been marked as “voluntary” for companies with 10 employees or fewer.

This means that the value chain cap for companies with 10 employees or less includes less information than the value chain cap for companies with between 11 and 1000 employees. Companies with 10 employees or fewer are therefore given extra protection from the trickle-down effect.

[Annex II of the voluntary standard delegated act](#) summarises which disclosures are part of the value chain cap respectively for companies with 10 employees or less and for companies with 11 to 1000 employees.

Part B: additional information on the value chain cap agreed by co-legislators in the Omnibus I Directive

3. Does the value chain cap introduced by the Omnibus I Directive mean that companies subject to the CSRD cannot ask companies in their value chain for certain information?

No. It means only that they cannot require companies with 1000 employees or fewer to provide certain information. Companies subject to the CSRD may still request such companies to provide information that is above the value chain cap.

However, in that case, the company subject to the CSRD must clearly indicate which requested information exceeds the value chain cap, and it must inform the company in its value chain that it has a statutory right to decline to provide the additional information.

In any case, it is not the intention that companies subject to the CSRD should request or require companies in their value chains to provide the maximum amount of information permitted under the value chain cap. Instead, they should only seek to obtain the information that they really need (see also question 6).

4. Does the value chain cap mean that companies not subject to the CSRD must report using the voluntary standard?

No. The voluntary standard is entirely voluntary, meaning that companies can decide whether or not to use it.

The Omnibus I Directive clearly states that the value chain cap does not impose or imply any obligation on any companies in the value chain to provide sustainability information.

5. If a company reports according to the voluntary standard, does that mean that it will not receive any other requests or demands for sustainability information?

If a company applies the voluntary standard, it will have reported all information that a company subject to the CSRD could require it to provide for CSRD reporting purposes.

However, a company reporting under the CSRD could still request additional information. This may include information unrelated to CSRD reporting as well as additional CSRD-related information that goes beyond the value chain cap.

In the latter case the requesting undertaking would need to indicate which information exceeds the value chain cap and inform the company in its value chain that it has a statutory right to decline to provide such information (see also question 3 above).

6. Are companies subject to the CSRD expected to require all companies in their value chain to provide all the information under the value chain cap?

No. Recital 12 of the Omnibus I Directive says: “It is important that reporting undertakings – i.e. companies subject to the CSRD – only request information from undertakings in their value chain insofar as necessary. In particular, it is important that they request less information than that specified in the standards for voluntary use if they do not need all the information in those standards”.