WHAT WILL BE THE IMPACT OF TRANSPOSING DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL IN ROMANIA?

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Abstract
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 sustainability reporting by undertakings, the L-series, no. 322, of 16 December 2022, was published in the Official Journal of the European Union. The purpose of this research is to establish, through a conceptual approach, which are the aspects regulated by the European Directive transposed, which will be the normative acts subject to modification/completion following the transposition of Directive (EU) 2022/2464 in Romania, as well as the provisions regarding the audit of the annual financial situations. The adoption of the Directive on social and environmental responsibility (CSRD) aims to improve the way in which entities report social and environmental information in order to increase standardisation, consistency and comparability of non-financial information submitted across the Union.

Keywords
sustainable reporting, non-financial statement, audit opinion, reporting frameworks

JEL Classification
M41, M42

Introduction

According to EU law, all big, publicly traded businesses in the EU—with the exception of listed microbusinesses—must report social and environmental risks, opportunities, and the effects of their operations on the environment and people.

On January 5, 2023, the Sustainability Reporting Directive (CSRD) went into effect, enhancing the requirements for providing businesses with social and environmental data. More big businesses will now be required to submit sustainability reports.

Companies covered by CSRD are required to adhere to the European Sustainability Reporting Standards (ESRS). The proposed guidelines are being developed by EFRAG,

formerly known as the European Advisory Group for Financial Reporting. EFRAG is an independent organization that unites the interests of several stakeholders.
The study aims to capture, in the first part, the main regulations on Sustainable Reporting in the European Union, and in the second part the analysis of how the transposition of activities aligned to the taxonomy of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 into national law was carried out, having as an example information taken from the Sustainability Report 2023 published by OMV Petrom, as well as the analysis of the main objectives of Directive 2022/2464/EU of the European Parliament and of the Council 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/EC/34/EU as regards sustainability reporting by undertakings (CSRD) to be applied in Romania for financial years beginning on or after 1 January 2024, then for financial years starting on 1 January 2025.

1. Review of the scientific literature

A handbook called CSRD assists businesses in adhering to and meeting sustainability criteria established at the European level. In the upcoming years, 50,000 businesses globally will be impacted by this more intricate reporting framework, which is better grounded and organized than the one that is already in place and has the power to completely alter a company's operations and structure. (Movileanu, 2024).
More information on sustainability will need to be published by businesses than ever before. This includes details about their supplier chains, business models, and strategies, with an emphasis on how financial statements and sustainability statements are connected. Approximately 750 enterprises in Romania are currently required to submit sustainability information; in the near future, over 6,000 companies are anticipated to be required to do so. The way that management of these companies prepares and presents sustainability information will need to change significantly. For example, they will need to apply a forward-looking (objective) and retrospective vision, considering the external impact on the company's value creation process as well as the impact of the company's activities on the environment and society (the concept of "double materiality"). (Vrinceanu, 2022). The new sustainability reporting is essential fot creating the future and is a force for change. The board is in charge of carrying out sustainability reviews and deciding how to handle upcoming issues that may affect the planet's future. Organizations may obtain a competitive edge by incorporating the new reporting framework into the ESG-related risk and opportunity assessment process, even if CSRD preparation calls for the allocation of significant funds and specialized resources. (https://kpmg.com/ro/ro/home/presa/comunicate-presa/2022/12/raportarea-sustenabilitate-catalizator-schimbarii-rol-vital-construirea-viitorului.html).

2. Research methodology

Using as research modalities documentation, analysis, selection in the first part of the research were summarized the main Regulations on Sustainable Reporting in the European Union.
Based on the qualitative analysis, the way in which the regulations imposed by Directive 2014/95/EU were transposed at national level was followed, having as an

example in Romania: the modality in which the transposition was made by OMV Petrom, information taken from the Sustainability Report 2023, Non-Financial Report, published by OMV Petrom. The main Orders that have made this transposition possible were also identified and analyzed.
Supported by the Regulations on Sustainable Reporting in the European Union, Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU on disclosure of non-financial and diversity information by certain large companies and groups (NFRD) and Directive 2022/2464/EU of the European Parliament and of the Council 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/EC/34/EU as regards sustainability reporting by companies (CSRD), a comparative analysis between the regulations imposed at national level by the two Directives was also pursued.

3. Results and discussions

Regulations on Sustainable Reporting in the European Union

Annual financial statements serve a number of purposes, including enhancing corporate governance and educating capital market investors. EU accounting law must strike a balance between the interests of enterprises and the recipients of financial statements to prevent undue burdening of reporting requirements. Aiming to develop high-quality regulations that simultaneously adhere to the principles of proportionality and subsidiarity and guarantee that administrative burdens are commensurate with benefits, the European Commission's Communication on "Smart Regulation in the European Union"(https://eur-lex.europa.eu/legal-content/ro/TXT/?uri=CELEX%3A32013L0034).
To this end, a series of Regulations at the level of the European Union have been developed:

- **2013/34/EU Directive** of the European Parliament and of the Council on annual financial statements, financial statements consolidated and related reports of certain types of enterprises;
- **2014/95/EU** Directive of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU on disclosure of non-financial information and diversity information by certain large companies and groups **(NFRD)**;
- **Regulation (EU) 2020/852** of the European Parliament and of the Council of 18 June 2020 establishing a framework facilitating sustainable investment and amending Regulation (EU) 2019/2088 **(„EU Taxonomy”)**;
- **Commission Delegated Regulation 2021/2139/EU** of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by laying down technical screening criteria to determine the conditions under which an economic activity qualifies as an activity that contributes substantially to climate change mitigation or to adapt to climate change and to determine whether the economic activity in question is significantly prejudicial to any of the other environmental objectives;
- **Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021** supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be provided by undertakings subject

to Article 19a or 29a of Directive 2013/34/The EU in respect of environmentally sustainable economic activities and by specifying the methodology for complying with this obligation to provide information;

- **Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022** amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards the publication of specific information on those economic activities.
- **2022/2464/EU Directive** of the European Parliament and of the Council 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC/EC and Directive 2013/34/EU on sustainability reporting by companies **(CSRD)**;
- The European Sustainability Reporting Standards **(ESRS**).

Transposition of the regulations on Sustainable Reporting in Romania

An extended version of the implementation was carried out in Romania, where all businesses with more than 500 employees were required to submit sustainability data in the fiscal year before it was published. Several normative acts, including OMFP 1802/2014, OMFP 2844/2016, and OMFP 3456/2018, regulate this at the national level. Additionally, national competent authorities establish special regulations for insurance businesses and financial institutions. The following EU Regulations may be transposed in Romania according to the reporting framework:

- **2014/95/EU** Directive of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU on disclosure of non-financial information and diversity information by certain large companies and groups **(NFRD)**;
- **2022/2464/EU Directive** of the European Parliament and of the Council 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC/EC and Directive 2013/34/EU on sustainability reporting by companies **(CSRD)**;
- **Regulation (EU) 2019/2088** of the European Parliament and of the Council of 27 November 2019 on sustainability information in the financial services sector - SFRD (Sustainable Finance Disclosure Regulation).

Transposition of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 in Romania

Romania adopted the Directive for sustainable non-financial reporting (NFRD) by Order which amended the OMFP 1802/2014, as follows:

- **Order 1938/2016** of 17 August 2016 on the modification and completion of accounting regulations introduces amendments regarding reporting entities, respectively Public Interest Companies that, at individual or consolidated level, at the balance sheet date they exceed an average of 500 employees during a financial year;
- **Order No 3456/2018** of 1 November 2018 on the amendment and completion of accounting regulations establishes that all entities that, at individual or consolidated

level, should be subject to the requirements of the Directive, at the balance sheet date they exceed an average number of 500 employees;

- **ORDER No 1239/2021** of 4 October 2021 amending and supplementing the accounting regulations applicable to economic operators sets out the following:
    - Article 492^7 states that the entities mentioned in paragraph 492^1 also include in their non-financial statement the information specified in Article 8 of the European Regulation 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework facilitating sustainable investment and amending Regulation 2019/2088;
    - Article 556^7 states that a subsidiary's exemption from the requirement to submit non-financial information under Article 8 of EU Regulation 2020/852 of the European Parliament will apply if the subsidiary is included in the consolidated annual financial statements prepared by a parent undertaking in compliance with the relevant accounting rules;
    - The amended paragraph 46 of Article 2 states that if an entity and its subsidiaries are included in the consolidated management report or in the separate report of another entity prepared in compliance with the provisions contained in the accounting regulations, the entity that is a parent undertaking and also a subsidiary undertaking is exempt from the requirement to provide non-financial information.

According to Romania's non-financial reporting Directive, businesses with more than 500 employees are required to provide pertinent information about their ESG (Environmental, Social, and Governance) effect in the non-financial statement.

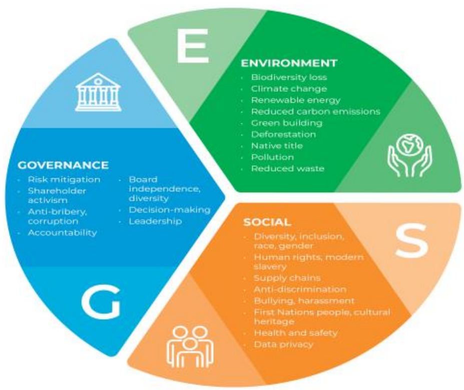


Figure no. 1: Relevant ESG Information (Environment, Social and Governance)
*Source:*https://www.holdingredlich.com/environmental-social-and-governance-esg-explained-five-important-considerations-for-companies-and-their-lawyers, [Accessed 28 September 2024].

ESG must incorporate data related to risk reduction, shareholder activism, anti-bribery, corruption, climate change, lower carbon emissions, pollution, human rights, and so forth, as shown in Figure No. 1.
Companies with more than 500 employees are required by the EU Taxonomy Regulation to reveal the taxonomy-aligned percentage of turnover, capital expenditures, and operating expenditures by 2022.

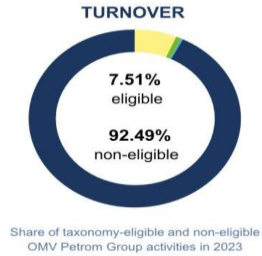
Overview of EU Taxonomy KPIs for 2023 and 2022

in RON mn	2023					
	Turnover		CapEx		OpEx	
Environmentally sustainable (taxonomy-aligned) activities	-	-	74.81	1.57%	-	-
Taxonomy-eligible, but not taxonomy-aligned activities	2,914.07	7.51%	946.75	19.92%	173.25	16.21%
Taxonomy-non-eligible activities	35,893.84	92.49%	3,732.12	78.51%	895.39	83.79%
Total	**38,807.91**	**100%**	**4,753.69**	**100%**	**1,068.64**	**100%**

in RON mn	2022					
	Turnover		CapEx		OpEx	
Environmentally sustainable (taxonomy-aligned) activities	-	-	14.69	0.41%	-	-
Taxonomy-eligible, but not taxonomy-aligned activities	10,991.48	17.92%	433.42	12.07%	139.51	16.52%
Taxonomy-non-eligible activities	50,352.97	82.08%	3,143.65	87.52%	705.05	83.48%
Total	**61,344.44**	**100%**	**3,591.76**	**100%**	**844.56**	**100%**

Figure no. 2 Overview of key financial performance indicators (KPIs) on Taxonomy for 2023 and 2022
Source: OMV Petrom, Sustainability Report 2023, Non-Financial Report

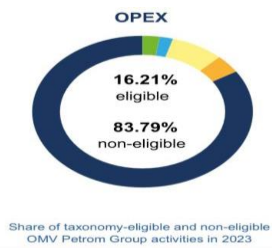
According to the Sustainability Report 2023, the proportion of economic activities aligned from the point of view of Taxonomy in sales revenue, CapEx and OpEx („alignment report") was calculated as part of sales revenue, CapEx and OpEx derived from products, including, services and projects related to taxonomically aligned economic activities (number) divided by total sales revenue, CapEx and OpEx (number)"(https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate).



	RON mn
Electricity generation from fossil gaseous fuels	2,535.49
Manufacture of organic basic chemicals	370.73
Others	7.85
Non-eligible	35,893.84

Figure no. 3 Taxonomy eligible and aligned turnover
Source: OMV Petrom, Sustainability Report 2023, Non-Financial Report

In 2023, 7.51% of OMV Petrom's revenue was categorized as taxonomically eligible, up from 17.92% in 2022. The primary sources of eligible turnover are the manufacturing of basic organic chemicals, including the selling of benzene, toluene, and propylene, and the generation of power from fossil gaseous fuels. Ineligible turnover is defined as turnover resulting from other operations, such as marketing, trade, logistics, and gas production and supply. (https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate)



	RON mn
Electricity generation from fossil gaseous fuels	83.44
Close to market research, development and innovation	40.20
Manufacture of organic basic chemicals	26.98
Others	22.63
Non-eligible	895.39

Figure no. 4 Eligible OpEx and aligned to Taxonomy
Source: OMV Petrom, Sustainability Report 2023, Non-Financial Report

Compared to 16.52% in 2022, 16.21% of OMV Petrom OpEx qualified for taxonomy in 2023. The biggest qualified contributions to OpEx in 2023 were the production of fundamental organic chemicals, research, development, and innovation in the near market, and electricity generated from fossil gaseous fuels. (https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate)

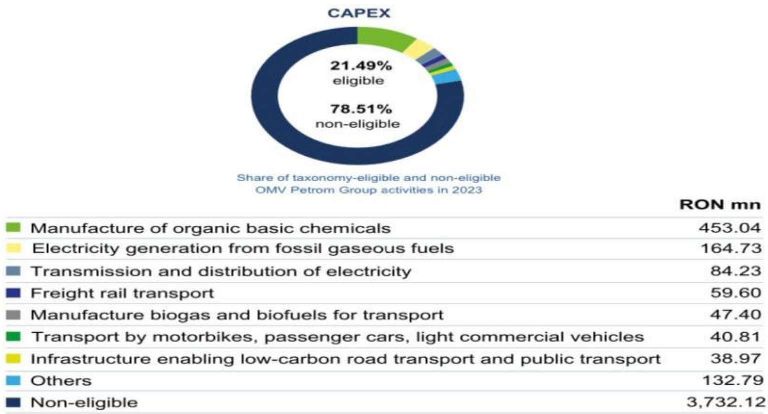


Figure no. 5 CapEx eligible and aligned in terms of Taxonomy
Source: OMV Petrom, Sustainability Report 2023, Non-Financial Report

In 2023, OMV Petrom's capital expenditures were eligible for taxonomy at a rate of 21.49% (up from 12.48% in 2022) and aligned with taxonomy at a rate of 1.57% (down from 0.41% by 2022).
The biggest contributions to CapEx eligible were the production of energy from fossil gaseous fuels using gas-fired power stations and generators, as well as the manufacturing of basic organic compounds. (https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate)
A classification system developed by the European Union taxonomy regulation aids organizations in determining if a business venture is environmentally sustainable:
1. Economic activity supports one of the six environmental goals;
2. Economic activity "does not significantly harm" any of the six Medium goals;
3. Economic activity satisfies "minimum guarantees," such as the UN Guidelines on business and human rights, to prevent adverse social effects;
4. Economic activity satisfies the technical screening standards created by the EU Technical Expert Group.
5. The sustainability report under Directive 2014/95/EU should include (Dumitru et al, 2017):
I. Business model, policies, risks related to sustainability issues
1. A succinct statement of the business strategy;
2. Policies pertaining to human rights, the environment, social issues, and employees, anti-corruption and anti-bribery measures;
3. Key risks about human rights compliance, preventing corruption and bribery, environmental, social, and employee elements;
4. Non-financial indicators.

II. Aspects of the environment
1. Environmental impact;
2. Effect on health and safety;
3. Renewable energy use;
4. Non-renewable energy use;
5. Emissions of greenhouse gases;
6. Use of water;
7. Air pollution.
III. Social and employee-related issues
1. Measures taken to guarantee gender equality;
2. Adherence to the core principles of the International Labor Organization;
3. Conditions of employment;
4. Respect for employees' rights to information and consultation;
5. Observance of trade union rights;
6. Occupational health and safety;
7. Communication with local communities;
8. Measures implemented to guarantee the preservation and advancement of local communities.
IV. Ethical aspects
Prevention of human rights violations, tools to combat corruption and bribery.


Mapping of ESG, Sustainability Framework pillars, material topics and SDGs supported

Sustainability Framework	Material topics categories	SDGs	ESG Topic
Transition to low carbon business	Climate change and Energy transition	3, 7, 8, 12, 13	Environment
Run Responsible operations	Health, Safety and Security Environment Business Principles & Economic Impacts Supply chain	1, 3, 6, 8, 12, 15, 16, 17	Social Environment Governance
Foster People & Communities	Employees Community Relations Human Rights	1, 3, 4, 5, 8, 10, 13, 15	Social
Leverage Innovation & Digitalization	Circular economy and Innovation	9, 12, 13	Environment Social

*Note: The topic "Customer and Product Responsibility" is currently addressed within HSS and Circular Economy & Innovation in the Sustainability Framework.

Figure no. 6 Mapping the pillars of the Sustainability Framework and SDGs to which ESG topics contribute
Source: OMV Petrom, Sustainability Report 2023, Non-Financial Report

OMV says that will put the health and safety of its employees, customers and partners first by 2030. Efficient use of resources and environmental protection will be the strengths. All this will be done with integrity and transparency. OMV believes that proactive risk management is essential to fulfilling its vision HSSE „Zero injuries – Protecting People, Environment and Goods”(https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate).
„Study on the non-financial reporting Directive”- https://op.europa.eu/en/publicationdetail/-/publication/1ef8fe0e-98e1-11eb-b85c01aa75ed71a1/language-en was published in November 2020 by the General Directorate for Financial Stability, Financial Services and Capital Markets Union (DGFISMA). As part of the ongoing monitoring of the implementation of the non-financial reporting directive (NFRD), this report provides data analysis. The study looked at information about more than 17 million businesses, collected surveys from more than 200 businesses, and interviewed more than 60 stakeholders. The main findings include that the NFRD scope comprises around 2,000 large companies (excluding exempted subsidiaries) in the EU-27. In practice, except for exempted subsidiaries, more than 10,000 companies at the European level are required to submit non-financial statements as a result of the wider transposition of national legislation of the Accounting Directive and NFRD. (https://www.cafr.ro/wp-content/uploads/2021/12/Informare-NFRD-3dec2021.pdf)
Few investigations on the NFRD's first- and second-order effects have been conducted in the European context. First, the mandate was shown to have increased the availability of sustainability information and increased the companies' reputation with external third parties (Ottenstein et al., 2021). In terms of the environmental and social pillars as well as the total ESG score, larger companies exhibit a more pronounced improvement in ESG performance However, the implementation of the mandate did not seem to have a significant effect on the governance pillar. Interestingly, the study also demonstrates that the improvement in ESG performance improves more significantly in the years after the introduction of the NFRD compared to the first year (Aluncha et al., 2023).
According to a study (Stein, 2023) on the impact of the directive, which uses a difference-in-differences (DiD) research design to evaluate the impact the mandate had on affected public firms in the EU (treatment group) compared to a control group of unaffected US firms, matched based on a propensity score and the nearest-neighbor method, the NFRD Directive successfully improved the sustainability performance of European firms compared to American firms, particularly in corporate governance and social concerns. Data from 2011 to 2021 served as the basis for the analysis. However, a decline in firm performance and profitability as measured by ROE, ROA, and Tobin's Q was required to offset this improvement. All operating public companies with more than 500 employees that are situated in the 10 economically strongest Eurozone nations (as determined by GDP)—Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, and Spain—make up the first treatment sample. The active listed companies on the two main US-American stock markets, the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (NASDAQ), for which staff count data were available, make up the control sample.

After the UK passed a carbon disclosure law, British businesses showed a significant decrease in emissions when compared to businesses in the rest of Europe (Downar et al., 2021). While it also had an impact on worker productivity, the mandatory sharing of safety records in US-American mines operated by SEC-registered companies improved working conditions and reduced injuries (Christensen et al., 2017). Ioannou and Serafeim (2019) provide evidence that, following mandates, third-party assurance and the number of disclosures have increased in China, Denmark, Malaysia, and South Africa.

Furthermore, they discovered that firm valuations as measured by Tobin's Q rose in tandem with better access to information. However, with the implementation of a CSR mandate that required impacted enterprises to allocate 2% of their net earnings to CSR, Tobin's Q fell in India (Manchiraju & Rajgopal, 2017).

Social externalities increased and corporate profitability decreased as a result of a CSR disclosure rule in China that simply required non-financial information to be provided and did not call for any additional adjustments to business activities. Additionally, the researchers found that the primary causes of the findings were increased CSR spending and the shutdown of production sites in response to the mandate. (Chen et al., 2018).

- **Transposition of DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 in Romania**
  - **Regulatory framework**

The Ministry of Finance's (MF) draft order governs the elements of sustainability reporting in transparent decision-making. Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 2022, amended Regulation (EU) no. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU on sustainability reporting by undertakings (CSRD Directive - Corporate Sustainability Reporting Directive), as the Ministry of Finance emphasizes in the Approval Report that goes with the draft normative act. In terms of European legislation addressing the goal of social responsibility, Directive (EU) 2022/2464 came after Directive 2014/95/EU of the European Parliament and of the Council on the presentation of non-financial information and diversity information by certain large companies and groups, also known as the NFRD Directive.

To implement Article 1 of the CSRD Directive, the provisions of Directive 2014/95/EU have been incorporated into two sets of accounting regulations: the Accounting Regulations on Individual Annual Financial Statements and Consolidated Annual Financial Statements, which have been approved by order of the Minister of Public Finance No. 1.802/2014, as amended and supplemented, and the Accounting Regulations following the International Financial Reporting Standards, which have been approved by order of the Minister of Public Finance No. 2.844/2016, with its subsequent additions and amendments.

- **Area of applicability, application stages and CSRD objectives.**

Comparative analysis NFRD/CSRD

To improve how entities disclose social and environmental information, the Directive on Social and Environmental Responsibility (CSRD) was adopted. This was done in order to improve the consistency, comparability, and standardization of the non-financial data that was reported at the European level. The European Commission will examine the non-financial information reporting requirements under Directive 2022/2464/EU (CSRD) of the European Green Deal and Directive 2013/34/EU of the European Parliament and of the Council (3). The Union's most recent enlargement plan is known as the "green pact." By 2050, it seeks to make the Union a competitive, resource-efficient, and modern economy.

Additionally, the Pact safeguards the Union's natural resources as well as the health and welfare of its people from environmental threats and their effects. In order to ensure that no one is left behind, the Green Pact seeks to prevent the use of resources to boost economic growth and ensure a socially just transition to a sustainable economic system. The agreement will help achieve the objective of creating an economy that benefits citizens by bolstering the Union's social market economy and making sure it is prepared for the future by offering stability, jobs, growth, and sustainable investment. (https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX%3A32022L2464)

Compared to Directive 2014/95/EU, the CSRD Directive provides for a wider scope of application of requirements and the inclusion of different categories of entities subject to obligations will be phased:

- expanding the reporting obligation to include all big corporations and companies listed on EU stock exchanges;
- establishing more thorough and precise reporting standards and requiring audit verification of issues reported;
- the requirement to use the single electronic reporting format (ESEF) provided commission Delegated Regulation (EU) 2019/915 regarding regulatory technical standards for defining a unique electronic reporting format;
- the focus on Double Materiality (significance), which entails a process of examining material subjects deemed significant by the organization and the social environment, taking into account both the financial impact that the company has on the environment and society as well as the impact that the company has on the environment and society.

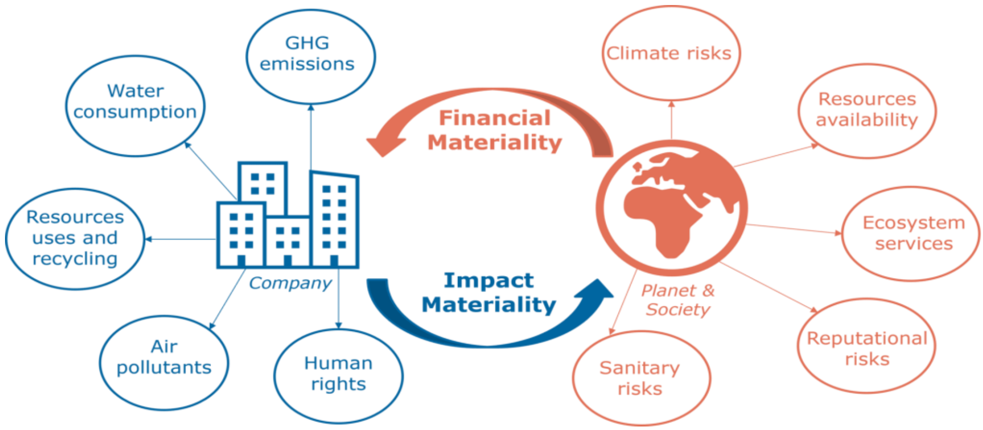


Figure no. 7 The concept of „Double materiality”
Source: https://eco-act.com/blog/double-materiality-assessment/, accessed on 29.08.2024

In addition, the reporting requirements set by the CSRD will enter into force progressively. This will happen primarily for financial years beginning on or after 1 January 2024, then for financial years starting on 1 January 2025, continuing according to the reporting calendar (Figure no. 8):

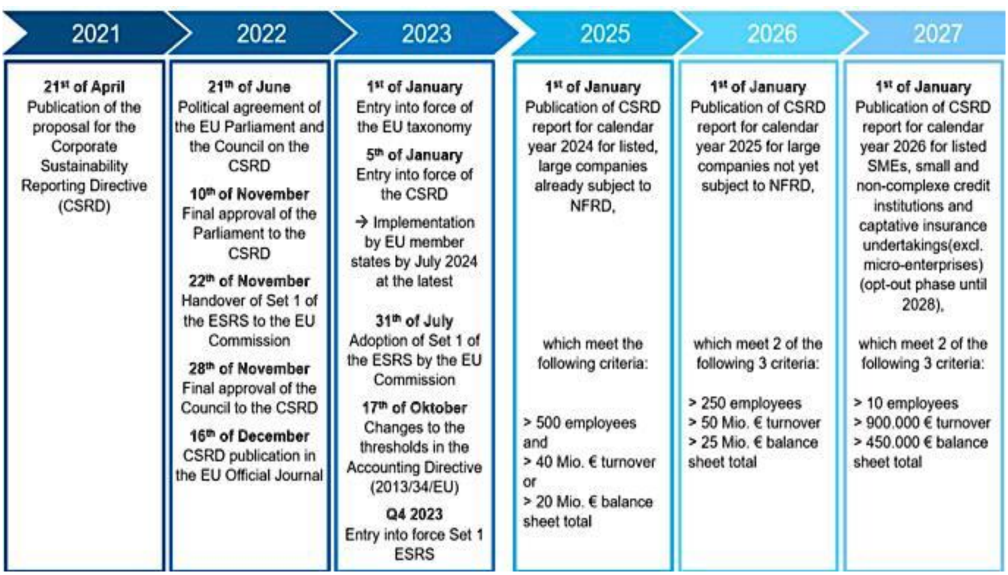


Figure no. 8 CSRD Reporting calendar
Source: https://dfge.de/en/csrd/, accessed on 29.08.2024

The primary goals of the CSRD Directive are as follows:

- *Comparability and transparency:* enhancing the caliber and comparability of sustainability reporting from various businesses.
- Increasing corporate *accountability* for the effects on the environment, society, and governance (ESG).
- *Educating investors:* Giving investors and other stakeholders the knowledge they need to make wise choices.
- Facilitating the incorporation of sustainability considerations into corporate plans and decision-making procedures known as *sustainability integration.*

According to the CSRD Directive, companies are required to report details regarding:

- Information on their environmental effect, including greenhouse gas emissions, energy and water use, and the use of natural resources;
- ocial impact: gender equality, human rights observance, working conditions, etc;
- Governance: Anti-corruption measures, compensation transparency, and corporate governance framework.

The NFRD Directive obliges certain entities to submit non-financial information in addition to financial data reported in the annual financial statements. By adopting the Directive on social and environmental responsibility (CSRD), the aim was to improve the way entities report social and environmental information, extend the scope of application, extend the auditor's obligation, and, establishing sustainability reporting standards (Table no. 1).

Table no. 1 Comparative analysis NFRD/CSRD

Comparative criteria	**NFRD**	**CSRD**
Applicability area	The entities that are required to submit some e-financial information are those that have more than 500 employees during the financial year.	The sustainability reporting requirements apply to large and small and medium-sized listed companies and parent companies of a large group as defined in the Directive 2013/34/EU.
Opinion on assurance of the sustainability report	The auditor's only obligation is to verify that non-financial information has been provided.	The auditor or the audit firm must express an opinion on the compliance of sustainability reporting with the requirements of the European Union, on the basis of a limited assurance mission. The opinion can be expressed both by the

		auditor/audit firm carrying out the statutory audit of the financial statements and by another auditor/audit firm.
Sustainability reporting standards	When disclosing non-financial information, entities may rely on national, Union or international frameworks without being required to use a specific reporting framework or format.	Reporting will be based on reporting standards to be adopted by the European Commission in the form of delegated acts – European standards Sustainability Reporting Standards (ESRS).

*Source:*https://mfinante.gov.ro/static/10/Mfp/transparenta/RAproiectOrdindurabilitate_15112023.pdf, [Accessed 28 September 2024].

Directive (EU) 2014/95 (Directive on Non-Financial Reporting, the NFRD) expands the scope of Directive (EU) 2022/2464 (Directive on Corporate Sustainability Reporting, CSRD) to include more companies and to satisfy more thorough and rigorous reporting requirements. According to a BNR survey on climate change risks (https://www.juridice.ro/wp-content/uploads/2023/12/RSF2023_2.pdf), just 3% of businesses have taken action to build the necessary knowledge to comply with non-financial reporting requirements. Furthermore, according to 35% of businesses, the high expenses of complying with regulatory reporting requirements (such as hiring consultants and developing internal knowledge) have a detrimental impact on the investments required for climate change adaptation.

Conclusions

Regarding sustainability reporting, the entities covered by the CSRD Directive are required to include in the management report the information necessary to understand the impact of the sustainability aspects of the undertaking and to understand how sustainability issues affect development, performance and position of the entity.

Following the new regulations, investors and other stakeholders will be able to obtain the necessary information to assess the impact of business on people and the environment. Investors will be able to assess financial opportunities and risks arising from climate change, as well as other sustainability issues, thanks to these regulations.

Finally, reporting costs for businesses in the medium and long term will be reduced by harmonising the data to be provided. Companies need to start applying the new rules in the financial year 2024 and reports need to be published in 2025.

A sustainable strategy aims to manage resources responsibly, reduce environmental impacts, improve social well-being, and promote a sustainable economy. It is a comprehensive and strategic plan that includes sustainable values and practices in all aspects of the company's operations. The strategy is based on the results of the analysis of the company's activity and industry, as well as the Reporting Standards. Nowadays,

there is an increase in concerns about climate change, limited resources and the negative effects of human activities on society and the environment, so such an approach must be integrated into the business strategy.
Therefore, companies should consider specific and measurable objectives in the economic, social and environmental fields; include sustainability principles in decision-making processes and at all organizational levels; adopt responsible and ethical behaviours towards staff members, the community and other stakeholders; promote sustainable energy use, reducing carbon emissions and optimizing resource use; implementing a tracking and reporting system to assess progress and communicate results; working with partners, suppliers and other stakeholders to maximize the effect and address common sustainability issues; supporting research and development efforts for innovative solutions that contribute to sustainability.

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