

Romanian companies to face forthcoming ESG rules for corporate sustainability

The Environmental, Social and Governance (ESG) rules were first imposed through EU Directive 95/2014 NFRD (Non-Financial Reporting Directive – NFRD) and set out the core criteria for evaluating corporate behaviour and screening potential investments.

In Romania, the European Directive 95/2014 (NFRD) was implemented through Ministry of Finance Order 1938/2016 and later through Ministry of Finance Order 3456/2018 which extended the scope of Directive 95/2014 to all companies regardless of size with more than 500 employees.

Also, the Romanian authorities are currently engaged in developing and adopting the Romanian Sustainability Code, which will introduce a number of additional obligations and recommendations on the environmental and the social and governance factors.

Nevertheless, nowadays, the focus of Romanian companies in their efforts to comply with ESG rules has turned towards the newly discussed CSDR Directive (Corporate Social Responsibility Directive) revising Directive 95/2014, which is extending the ESG scope to all large companies and listed IMM-s.

In essence, in addition to extending the scope of the reporting requirements to include all large companies and listed companies (except for listed micro-enterprises), the new Directive mainly aims to introduce the requirement for assurance of sustainability information through third party auditing, to specify in more detail the information that companies should report, and to introduce the requirement for companies to report in accordance with mandatory EU sustainability reporting standards.

Although there are still some time gaps in ESG implementation between Romanian and Western European companies, recently a positive trend can be observed in the way Romanian companies are addressing ESG impacts and risks, mainly driven by new EU regulations, investor pressure, and the need to adapt to the new economic and political context.

ESG goals are far more important in the current context, where the combined effects of the COVID-19 pandemic, the energy crisis and the war, have emphasized the importance of effectively approaching ESG challenges such as maintaining safe and healthy working conditions, improving energy efficiency, and reviewing and optimising supply chain processes to make them more resilient to external shocks and growing uncertainties.

Since the new Directive is aiming to apply for financial years starting after 1 January 2023, the coming months will be marked by intense efforts and transformations for companies as they transition to responsible operating models and transparency by complying with new non-financial reporting requirements – the ESG rules.

PETERKA & PARTNERS Romania remains at your disposal to provide more information and related legal assistance connected to this topic.