



## ESG Newsletter 01/2024

### Sustainability Reporting News

Directive (EU) 2022/2464 of the European Parliament and of the Council regarding companies' sustainability reporting known as the Corporate Sustainability Reporting Directive (CSRD) issued on the 14th of December 2022, was recently transposed into Romanian law through Ministry of Finance Order no. 85/2024 ("OMF 85/2024"), published in the Official Gazette no. 75 on the 26<sup>th</sup> of January 2024.

OMF 85/2024 introduces significant changes and additions to the accounting regulations approved by OMFP 1802/2014 and the IFRS compliant accounting regulations approved by OMFP 2844/2016, in what concerns sustainability reporting.

Sustainability refers to environmental, social and workforce aspects, governance, including respect for human rights, anti-corruption and anti-bribery matters, encompassed under the acronym ESG (which stands for Environment, Social and Governance).

### The calendar: When and who is required to report under OMF 85/2024?

The provisions of the order will apply in stages for the financial years starting on the following dates:

#### ***1<sup>st</sup> of January 2024 (first reporting period is 2025)***

- medium and large-sized public interest entities that exceed, at the balance sheet date, an average number of 500 employees during the financial year;
- public interest entities which are the parent companies of large groups and which exceed, at the balance sheet date, on a consolidated basis, an average number of 500 employees during the financial year.

#### ***1<sup>st</sup> of January 2025 (first reporting period is 2026)***

- other medium and large -sized entities which are not public interest entities;
- other entities which are the parent companies of large groups but are not public interest entities.

#### ***1<sup>st</sup> of January 2026 (first reporting period is 2027)***

- other entities listed on a regulated market which do not exceed the applicable size criteria for sustainability reports relating to the years 2024 and 2025



### **1st of January 2028 (first reporting period in 2029)**

- subsidiaries or branch offices established in Romania whose ultimate parent companies are governed by the law of a third country, subject to certain size criteria

An entity is included in the medium and large-sized entities category if, at the balance sheet date, it exceeds at least two of the following three criteria for two consecutive financial years:

- a) total assets: RON 17,500,000
- b) net turnover: RON 35,000,000
- c) average number of employees during the financial year: 50

A large group is a group that consists of a parent company and its subsidiaries that are to be included in the consolidation and which, on a consolidated basis, exceeds at least two of the following three criteria, at the parent company's balance sheet date, for two consecutive financial years:

- a) total assets: RON 105,000,000
- b) net turnover: RON 210,000,000
- c) average number of employees during the financial year: 250

When certain conditions are met, entities included in the consolidated Administrators' Report in the European Union or a third country may be exempted from the obligation to prepare separate sustainability reports in Romania.

There are also reporting obligations on certain subsidiaries and branches of an entity from a third country that exceed certain size criteria. These obligations arise if the entity from the third country has generated at group or individual level a net turnover more than 150 million euros in the European Union for each of the last two consecutive financial years.

In keeping with the provisions of OMF 85/2024, sustainability reporting will replace the non-financial statement.

### **What significant changes are introduced by the new order?**

- **European Sustainability Reporting Standards (ESRS)**

Entities must report information in accordance with the ESRS adopted by the European Commission.



➤ ***Double materiality***

Entities will include in the Administrators' Report information necessary to understand how sustainability aspects affect the development, performance and position of the entity, as well as information necessary to understand the entity's impact on sustainability aspects.

➤ ***Prospective approach***

When presenting information in sustainability reports, both a retrospective and prospective approach will be considered. Reporting on sustainability issues must cover a short, medium and long-time horizon.

➤ ***Value chain information***

The information collected will cover the entity's operations as well as the entire value chain.

➤ ***Unique electronic reporting format***

There will be a single electronic reporting format for all entities to which the provisions of the order apply. The format will comply with the provisions of art. 3 of the EU Delegated Regulation 2019/815 of the European Commission.

➤ ***Audit and assurance of sustainability reporting***

The statutory auditor or audit firm expresses an opinion based on a limited assurance engagement regarding the compliance of sustainability reporting with applicable requirements.

## **What are the main aspects entities must report under OMFP 85/2024?**

- a brief description of the entity's business model and strategy, including the entity's risks and opportunities regarding sustainability issues;
- the entity's plans, including implementation action and related financial and investment plans, to ensure its business model and strategy are compatible with the transition to a sustainable economy and the limitation of global warming to 1.5 °C, with the objective of achieving climate neutrality by 2050, as well as, where applicable, the exposure of the entity to activities involving coal, oil and gas;
- the way in which the entity's business model and strategy take into account the interests of the entity's stakeholders and the entity's impact on sustainability aspects;



- the way in which the entity's strategy was implemented in terms of sustainability aspects;
- a description in clear terms of the sustainability objectives established by the entity, including, where applicable, the absolute objective of reducing greenhouse gas emissions set for 2030 and for 2050, respectively;
- a description of the progress made by the entity in achieving these objectives and a statement showing whether the entity's objectives relating to environmental factors are based on conclusive scientific evidence;
- a description of the role of the administrative, management and supervisory bodies with respect to sustainability aspects, as well as of their specialist knowledge and competence to perform this role or of the respective bodies' access to such specialist knowledge and skills;
- a description of the entity's policies regarding sustainability aspects;
- information about the existence of incentive systems regarding sustainability aspects made available to the members of administrative, management and supervisory bodies;
- a description of the due diligence process implemented by the entity regarding sustainability aspects;
- a description of the main, actual or potential negative impact relating to the entity's own operations and its value chain, including its products and services, its business relationships and its supply chain, and the actions taken to identify and monitor this impact;
- entities reporting under OMFP 2844/2016 must also provide a description of the diversity policy applied in terms of the entity's administrative, management and supervisory bodies, the objectives of said diversity policy, the way in which it was implemented, and the results obtained during the reporting period. If no such policy exists, the statement must contain an explanation to this effect;
- the corporate governance statement, in the case of entities whose shares are publicly traded on a regulated market.

We expect sustainability reporting to have a major impact on business strategy, requiring processes to be reconfigured to integrate sustainability into the overall strategy. For this reason, entities that thus far have prepared non-financial statement, and especially those that were not subject to the non-financial reporting requirements, must take a series of early measures to ensure they have adequate information systems in place to facilitate the collection of the many kinds of new quantitative and qualitative information required for reporting.

*Source: Order no. 85 on the regulation of sustainability reporting aspects, published on 26<sup>th</sup> of January 2024.*



This newsletter is a service provided by TPA.

Kind regards,  
Your TPA Team

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