UNIVERSITY OF PIRAEUS
Department of International & European Studies
MSc in Energy: Strategy, Law and Economics

University of Piraeus
Department of International & European Studies
MSc in Energy: Strategy, Law and Economics

Thesis:

“The CSR Directive: Reporting obligations on sustainability and the effects on EU companies”.

Rafaela Pliaka

Thesis supervisor:
Associate Professor George Galanos

Piraeus 2024

The intellectual work fulfilled and submitted based on the delivered master thesis is exclusive property of mine personally. Appropriate credit has been given in this diploma thesis regarding any information and material included in it that have been derived from other sources. I am also fully aware that any misrepresentation in connection with this declaration may at any time result in immediate revocation of the degree title.

Rafaela Pliaka

Table of contents

Abstract 5

1.Introduction to the concept of sustainability...6
1.1 Definition and importance……………………………………………………………6

2.History of the concept of sustainability 9

3.Correlation of the concept of sustainability with CSR 11

4.Historical roots for CSR 13
5. EU and CSR……………………………………………………………………. 27

5.1.Why is CSR crucial for the EU?..28
5.2 Why and how the EU is acting towards CSR?...28

6. EU Directives on Non-Financial Reporting: 2013/34/EU Directive's to 2014/95/EU Directive's transition..30

7. Amendment of the Directive 2013/34/EU by Directive 2014/95/EU of the European Parliament and Council on October 22, 2014, with reference to the publication of non-financial and diversity information by specific major companies and organizations. 33

Article 19a 34

Non-financial statement..34

Amendment of Article 20 37

Article 29a Consolidated non-financial statement 37

8.Guidelines for reporting non-financial information………………………………..39

8.1.Introduction……………………………………………………………………….39

8.2.The aim of the guidelines...41

9. Essential Guidelines for Publishing Non-Financial Information 42

9.1.Disclose of material information 42

9.2.Content..43

9.3.Conclusions/ Evaluation of the EU Directives and the guidelines 47

10. Reports on the creation of sustainability reporting guidelines inside the EU 49

11.Scope and goals of the Directive 50

11.1. A corporate sustainability reporting directive is being proposed (CSRD).................50

11.2.Why was the Non-Financial Reporting Directive (NFRD) had to be revised? 50

11.3.Scope of the Directive...51

12.Results/effects of the Directive 54
12.1 Introduction……………………………………………………………………..…54

12.2.What results does the new directive bring? 55

12.2.1.Audit 55

12.2.2.Digitalization 56

12.2.3.Costs 56

12.2.4.SMEs 57

12.2.5.Effects on EU companies 58

Benefits on EU companies regarding the Directive 58

Cost to EU companies 60

12.2.6. The impact of the CSR Directive on the CSR initiatives of a company. 60

12.2.7 Effects on EU companies and the stakeholder reaction 61

12.3.Summary 62

13.Where are we today? 63

13.1. Directive (EU) 2022/2464 of the European Parliament and Council of December 14, 2022, relating to corporate sustainability reporting, amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU. 63

13.1.1.The most significant provisions of Directive EU 2022/2464 63

13.2.Conclusions/ Evaluation of the EU Directives and the guidelines 65

Conclusion 67

References 69

Abstract

The modern corporate reporting paradigm is changing to reflect shifts in the business landscape. Entrepreneurs are increasingly receiving information regarding social and environmental elements of business operations in addition to the economic ones. Typically, annual reports are used to disclose this kind of data. There are rules in place for producing this kind of reporting, and several European nations have legislative obligations.

The purpose of this paper is to study the creation, evolution and results of the CSR Directive. This directive is the core of the EU in the field of reporting on corporate responsibility towards sustainability. Areas such as the environment, human rights and wider social issues are now targets for the modern business world within the European bosom. Although this directive is a novelty as it was adopted quite recently by the European institutions, in writing this paper an attempt was made to study its most important points based on the existing literature.

The structure of the paper starts with a presentation of basic conceptual definitions related to sustainability, the environment and the historical background of sustainability. Then, an attempt is made to link the concept of sustainability with the concept of CSR and thus a transition is made to the main topic of the paper which is the creation, evolution ,the results of the CSR Directive , as well as an attempt to evaluate them through relevant scientific articles.

The importance of the Directive lies mainly in the fact that it provides for the first time reporting standards for the EU companies for three very important aspects to take into consideration in the business cycle: the environment, the social and the governance. Undoubtedly, this directive is and will continue to be of concern to the European business world and, in conjunction with technological developments and their role in future business frameworks and strategies, will redefine 'the purpose' of the companies towards the best of the world.

Keywords: sustainability, CSR, EU, business, environment, social, governance, reporting

1. Introduction to the concept of sustainability

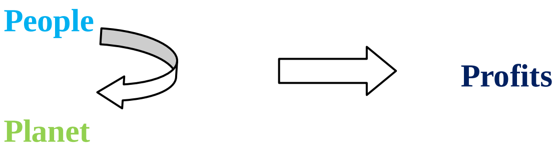
1.1.Definition and importance

So what is sustainability? Although there are several definitions for this concept, the most widespread definition is the one proposed by the Brundtland Commission in 1987 as "*the development that meets the needs of the present without compromising the ability of future generations to meet their own needs*(Emas,2015)

We can say that the definition of sustainability is identified with the concept of sustainable development.

It is remarkable that the concept of sustainability does not only concern the environment but also other aspects such as the people and the economy (CFI,2022). According to the definition of sustainability by the Corporate Finance Institute, the concept of sustainability constitutes from three pillars**: a) the planet/environment b) social/people c)profit/economics**. For all three pillars, the common feature is the avoidance of the concept of abuse/overexploitation, and the creation or the maintenance of environmental, social and economic conditions for the use of natural resources or human resources, for example, in a responsible way that will allow them to be used on a long-term basis.

We can see the correlation between the three pillars of sustainability if we understand that it is important for people and the planet to be taken care of, in order to also achieve profits(CFI,2022)



In simpler terms we can conclude that the definition of sustainable development tends to reconcile the economic development with the protection of social and environmental balance (EUR Lex,2022)

It can be said that the definition proposed by the Brundtland Commission focuses on the importance of intergenerational equality as in its epicenter, are posed the needs not only of the present generations but also of the future ones, as it was referred previously.

The differentiation of sustainable development policy from the conventional environmental policy therefore lies in the concept of the conservation of resources for future generations, which sustainable development policy tends to internalize the external effects of environmental degradation (Emas, 2015)

It is also noteworthy that the connection between the environment, the economy and society distinguishes sustainability from other forms of policies (Emas,2015).

The essence of sustainable development is the concept of a dignified survival for all within the planet's endurance, combining economic efficiency, social inclusion and environmental responsibility (European Commission, 2022)

Corporate sustainability

As main topic of this thesis is the CSR Directive which has to do with a European Directive that creates standards for promoting sustainability in the business environment, it is crucial to make a reference at this point, to the concept of *"corporate sustainability"*.

In business situations, sustainability refers to more than only environmental concerns. At least one of the regions is intended to benefit from sustainable practices. The influence a company has on the environment and society are the two metrics by which sustainable business practices are measured, according to Harvard Business School. Business sustainability emerged as a facet of corporate ethics in response to public concerns about the long-term harm brought about by an emphasis on short-term profits(Mollenkamp,2023).

This responsibility approach encourages businesses to balance short-term profits with long-term advantages in order to achieve inclusive and environmentally good goals. This covers a broad spectrum of possible approaches. Reducing emissions, using less energy, purchasing products from fair-trade suppliers, and ensuring that their physical waste is disposed of responsibly and with less carbon impact are all examples of steps towards sustainability.

Furthermore, companies have set sustainability goals, including committing to eliminate packaging waste by a particular year or reducing emissions overall by a particular percentage.

The pursuit of new deposits to keep up with the depletion of existing ones is another example of how the pursuit of sustainability is evident in the energy production process. For example, some electricity companies now disclose their goals for producing energy from renewable sources, such as hydropower, wind, and solar power. (Mollenkamp,2023).

2.History of the concept of sustainability

Although corresponding concepts in English, German, and Dutch were used for centuries, the terms sustainability and sustainable development did not exist in the Oxford English Dictionary until the latter part of the 20th century. From the ancient Egyptian, Mesopotamian, and Roman civilizations, the need for raw materials, their effects on the environment, deforestation, a lack of fertile land, and general environmental degradation due to human activities like agriculture and mining have always been ongoing problems in human history. These problems can now be classified as sustainability issues. (Du Pisani,2006)

On the other hand, the widespread use and consolidation of the term "sustainable development" began to take place relatively recently in the middle of the 20th century. More precisely, in the late 1960s and early 1970s, many thoughts about the concepts of progress, sustainability and development began to indicate the crystallization of the term of sustainable development. Generally speaking, the advancement of science and technology that brought forth material advancement and simpler living also facilitated the consolidation of sustainable development. It is interesting to remember that talks pertaining to development are when the term "sustainable" was first used.

Early in the 1970s, the phrase "sustainable development" underwent a major consolidation. The United Nations Conference on the Human Environment in Stockholm in 1972, where the idea of sustainability was included into many of the guiding principles that the Congress approved, also played a significant part in this process. It was now obvious that growth needed to be sustainable and address issues pertaining to the utilization of natural resources in addition to social and economic ones(Du Pisani,2006).

With the establishment of the World Commission on Environment and Development (WCED), popularly known as the "Brundtland Commission," and the 1987 UN submission of the report "Our Common Future," the concept of sustainability was ultimately codified.

In simple terms, this report focuses on the belief that social equality, economic growth and environmental protection are simultaneously possible, thus highlighting the three parameters of sustainable development:

1. the environment, **2.the economy** and **3.the society**.

It is important at this point to mention that this report marked the consolidation and adoption of the concept of sustainability at global level(Du Pisani,2006).

Other events that marked the future of the concept of sustainability include the Earth Summit- the United Nations Conference on Environment and Development and the World Summit on Sustainable Development (WSSD).

As for the first one, it was held in 1992 in Rio De Janeiro and was the largest gathering of heads of governments ever held. During this Conference, it was decided the creation of Agenda21, which was an extensive international thematic agenda for

sustainability actions in the 21st century.
As for the second one, the WSSD, it was held in 2002, in Johannesburg, in South Africa, and this Conference focused mainly on social and political aspects in order to achieve sustainable development (e.g. political participation, governance, partnerships) (University of Nottingham,2012).

To conclude, at this point it becomes clear that the roots of the concept of sustainability can be traced back to antiquity, but issues that emerged after the period of the Industrial Revolution and the general fear of depletion of important resources due to population growth and consumption, reinforced the idea of the necessity of using resources in a sustainable way. The risk that the present and future generations would not be able to maintain their standard of living , reinforced the necessity to prepare for and adopt, at global level, sustainable development(Du Pisani,2006)

3. Correlation of the concept of sustainability with CSR

Having previously analyzed the concept of sustainability, at this point in this paper, it is important to analyze the relationship of the concept of sustainability with the CSR Directive, which the latter one will be the main topic of analysis of this study, with a focus on the world of business.

As businesses become more and more responsible towards the environment and society and this progress is required by both customers and employees and a large number of society in general, the terms "corporate sustainability" and "corporate social responsibility" are widely used and with many often identifying them.

It is worth mentioning that this trend towards sustainability and reporting on it and social responsibility , is a consequence of the ever-increasing expectations of the members involved. For instance, the majority of investors (73%) aim to maintain sustainability, social responsibility, and environmental responsibility at the corporate level, and 77% of customers are more likely to choose firms that are dedicated to improving the earth. (Courtnell,2022) .

Since the definition of sustainability was analyzed in a previous chapter of this thesis, at this point extensive reference will be made to the definition of CSR and the relevant European directive, which is the main topic of this diploma thesis.

Initially it should be understood what CSR is. According to Investopedia, "*Corporate Social Responsibility is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship , companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental".*(Fernando,2022)

It is noteworthy that CSR, as a concept can take various forms depending on the corporate environment or the industry in general, where it will be formed.

Usually businesses that adopt and implement CSR policies, have reached such a point in their growth that they can offer back to society as a whole. Often, large companies implement CSR policies, but both small and medium-sized enterprises have begun to adopt these innovative initiatives, but without having the ability of the large companies to "promote" them too much to the general public(Fernando,2022).

Let's now move on to CSR forms. In general, four forms of CSR are encountered and each company can adopt and engage in any of them, without this meaning that the non-adoption of some of the others, make a company socially irresponsible

The four types of CSR are: 1. Environmental Responsibility , 2. Ethical Responsibility , 3. Philanthropic responsibility , 4. Financial Responsibility .
Let's see and focus on some of their important characteristics :

1. The **environmental Responsibility** focuses on protecting mother nature so that a company ensures that natural resources are in better condition before business operations, through the adoption of the best procedures. Some practices for the protection of the environment are for example, the reduction of pollution waste and the emissions through the manufacturing processes, the recycling of materials, the promotion of recycling practices to a company's customers, etc.

2 . The second form of CSR concerns the action of businesses in an ethical and fair way. To achieve this, companies can adopt fair treatment across all types of customers regardless of age, race, culture, or sexual orientation, positive treatment of all employees (e.g favorable payment, benefits etc.).

3. Furthermore, the **Philanthropic Responsibility** focuses on the reaction and contribution of a company towards the society. The goal of this type of CSR is the betterment of the world. Some examples via which this goal can be achieved are, the donation of profits of a company to charities, the support of employee philanthropic endeavors, etc.

4. The last CSR format combines the three above. As a company aspires to be more environmentally responsible, ethically and charitably, it should support these ambitious plans through financial investment programs, donations, research. Some examples of achieving these goals are: - research for new products that encounter sustainability – innovative recruitment processes in order to ensure a diverse workforce, - training of employees on social awareness , environmental concerns, etc(Fernando,2022).

Since the definitions of both sustainability and CSR have been set out above, one can conclude that the CSR concerns the social dimensions of sustainability. The two concepts are ultimately correlated, of course, but they could not be said to be identical. The correlation between the two concepts may lie in the fact that adopting good CSR practices can lead to the creation of a socially sustainable organization. Both concepts help companies operate in a way that makes them profitable in an ethical way and never at the expense of others.

However, it is important to restate that CSR is not identical to the term sustainability and so cannot be used interchangeably.

Some subtle differences between the two concepts lie in their vision and goals. CSR reflects on a company's contribution through its actions to society, while sustainability looks at and pursues the long-term – the development of future strategies. Turning now to the objectives, the CSR focuses on opinion formers, e.g. media, politicians, pressure groups and focuses on balancing the interests of stakeholders.

The concept of sustainability takes into account the social impact of business action, but alongside nature and the economy. Corporate sustainability, that is, focuses in contrast to CSR, on many stakeholders and focuses on long-term results.

In conclusion, CSR is a driving force for sustainability, promoting businesses to fulfill their responsibilities.CSR is a business commitment that contributes to achieving corporate sustainability (Courtnell,2022).

4.Historical roots for CSR

The idea that companies have a social responsibility to advance is not new. Actually, the company's social consciousness dates back several centuries (Carroll, 2008 cited in Latapí Agudelo et al., 2019)

Over the next decades, society's expectations for business behavior changed, and so did the concept of corporate social responsibility (Latapí Agudelo et al., 2019)

This chapter will attempt to ascertain, from the material that is currently accessible, which significant events and/or factors have influenced how people's conceptions of corporate social responsibility have changed during the concept's development. Seeing how the concept of CSR reflects the societal expectations of each decade will make it feasible to determine whether or not it will be relevant in the near future. The major historical events that influenced the growth of CSR will also be the focus of this chapter. The events that, in part, encouraged businesses to assume more social responsibility are the particular emphasis of this chapter. It also looks at how particular calls for improved business practices -such as the European CSR Strategy—have impacted the heightened awareness of corporate social responsibility. Through a temporal timeline, the major influences on the development of CSR will be analyzed in general (Latapí Agudelo et al., 2019).

1950-1960: In this decade, social dimensions of corporate social responsibility became the focus of academic research. Regarding the discussion of CSR, the years following World War II and the 1950s can be considered as times of adaptation and transition. Big businesses would have to reconsider their decision-making processes in order to gauge the influence of their activities on society as a whole, according to Bowen, because they possessed such immense power. According to Bowen (1953, cited in Latapí Agudelo et al., 2019), a businessman's judgments and deeds have an immediate effect on the standard of living for society as a whole through their stakeholders, employees, and consumers. They also have an obligation to pursue certain policies, make certain decisions, or follow certain lines which are desirable in terms of the objectives and values of our society. Bowen has been characterized as the "father of CSR" because he published the first academic work focused specifically on social responsibility (Latapí Agudelo et al., 2019).

It can be understood that the increase in interest in CSR during the 1960s was mainly due to social movements and developments of the time and was mainly observed in the USA. Some social issues that led to the above, were the rapid population growth at that time, the pollution, lack of resources and were combined with social movements about the environment and human rights.

It could also be marked that CSR constituted a response to the issues and desires of the new modern society. For instance, the social, economic and political changes with which were taking place in that period "created" a kind of pressure to businessmen in order to reexamine their role in terms of society and their social responsibility in general.

Although during this particular decade, the issue of CSR emerged, developed a lot at an academic level, at a practical level, it remained mainly as a concept with a philanthropic character, so to speak. At the end of this decade, however, a tendency of society as a whole to exert strong pressure on companies to behave in accordance with the social expectations of the time, which manifested itself strongly through protests, anti-war and environmental campaigns (Latapí Agudelo et al., 2019) .

1970:

Social expectations for business behavior increased in the 1970s as a result of a rising knowledge of human and labor rights, the environment, and these issues. As a result, the United States Committee for Economic Development presented a new justification that rested on the idea that the private sector was being asked, more than ever, to take on greater social duties. Because of this, CSR gained popularity in the 1970s, but it stayed optional and only focused on a few issues, like waste management, pollution, and human and labor rights. It's amazing that at the end of the decade, the definition of CSR had changed and was interpreted differently by each individual (Latapí Agudelo et al., 2019).

In more detail, various social developments again led to a low level of trust of society in business, in terms of fulfilling the needs and wants of society. Thus,a major oil spill in 1969 in the coast of Santa Barbara, California, which led to mass events and the establishment of World Earth Day. The demands of the demonstrations were for a clean and sustainable environment, the fight against pollution with the main recipient of the demands being the corporations. These developments led to the creation of the Environmental Protection Agency(EPA) and gradually pushed corporations to review their social impact and a new regulatory framework with additional obligations for corporations(Latapí Agudelo et al., 2019) .

Another social development in the US that led to the creation of socially and environmentally friendly regulations was the recession in the United States with high inflation and low growth, which led to a long energy crisis. This event led to the creation of EPA, the Consumer Product Safety Commission(CPSPC) ,the Equal Employment(Latapí Agudelo et al., 2019).

It is worth mentioning that two publications of this decade are very important: "A New Rationale for Corporate Social Policy" and 2. "Social Responsibilities of Business Corporations". And they are important because they promoted the public debate on the issue of CSR, recognizing it as a driving force in the operation of companies. These two publications essentially reflect a new logic regarding the role and obligations of companies.

Also, an important addition here is of course the report 'The Limits of Growth' by the Club of Rome, led by MIT , which report questioned the sustainability of continued growth and their ecological footprint. This report quickly gained international impact as it focused on complex issues such as population growth, resource depletion, pollution, and highlighted the need to adopt responsible business practices and create new regulatory frameworks (Latapí Agudelo et al., 2019).

In the 1970s, therefore, the increasing integration of society-focused policies led to the term CSR becoming increasingly popular, resulting in its use in many different contexts where its meaning eventually became vague and ultimately meant something different for everyone.

The 1970s were finally characterized by an atmosphere of understanding of CSR which was influenced by social movements and the creation of new regulations. Plus, the further deepening of academic publications around the issue of CSR , provided companies with the 'guide' on how to comply with new obligations and regulations, which now focused on environmental aspects, product safety and labour rights. This development eventually gave way to the next decade, the 1980s, when the debate focused on ways of implementing CSR (Latapí Agudelo et al., 2019).

1980:

Carroll who understood the economic and social goals of businesses as an integral part of a business framework and not as incompatible aspects, and who placed specific expectations and responsibilities (economic, legal, ethical, and discretionary) on corporations, may have provided the first thorough definition of CSR.. This event gave way to the debate around the operationalization of CSR during the 1980's that we are going to examine in this specific unit (Latapí Agudelo et al., 2019). Generally, in the 1980's in the US, President Reagan called the private sector for being more responsible about business practices and creating a leading role of companies in social responsibility, in order to generate economic development(Carroll,2015, cited in Latapí Agudelo et al., 2019).

Although the previous decade was characterized by the prevalence of numerous laws on social concerns and focused on the set of responsibilities that can be attributed to corporations, this decade that we will now examine - the 1980s - is characterized by a new line of thinking. The political backdrop of the time played a catalytic role, with the Reagan and Thatcher administrations in the US and UK respectively, which seemed to emphasize minimizing pressure on corporations, with the aim of reducing the inflation that was at the time plaguing both the UK and the US (Latapí Agudelo et al., 2019).

For both governments , the growth and dynamism of their economies was anchored in a free market with as little state intervention as possible and more specifically by reducing regulations in the private sector combined with lower taxes.

Although there is currently a trend to reduce the role of governments in regulating corporate behaviour, there is still a tendency to fulfill social expectations from corporations. Also, this era is witnessing the emergence of alternative or complementary concepts of CSR , such as corporate social performance, corporate social responsiveness and the theory and management of stakeholders.

Many academics have contributed to the structuring of the notion of CSR over the past ten years. Thomas M. Jones claims that CSR was initially established as a decision-making procedure that affects business behavior. The value of this scholar also resides in his focus on CSR's functionality rather than just its description (Latapí Agudelo et al., 2019). Other academics introduced fresh frameworks for the study of corporate social responsibility (CSR), such as Tuzzolino and Armandi's five criteria for assessing a company's socially responsible performance: 1. profitability; 2. organizational safety; 3. affiliation and industry context; 4. market position and competitiveness; and 5. self actualization(Tuzzolino and Armandi, 1981, cited in Latapí Agudelo et al., 2019). Various CSR topics, including the relationship between CSR and financial performance and the internal and external effects of company action, were studied by different scholars. (Latapí Agudelo et al., 2019).

Rightly then, this decade could be described as the decade of operationalization of CSR , and this is most easily understood through the observation of specific social of the time that reflect the international community's approach to issues related to sustainable development and corporate behaviour. Some of the most significant events are a) the creation of the European Commission's Environment Directorate-General (1981), the establishment of the World Commission on Environment and Development chaired by the Norwegian Prime Minister Gro Harlem Brundtland (1983), the Chernobyl nuclear disaster (1986), the publication of the report Our Common Future presented by the Brundtland Commission which provided a definition of sustainable development (1987), the United Nations (UN) adoption of the Montreal Protocol (1987), and the creation of the Intergovernmental Panel on Climate Change (IPCC) (1988) (Latapí Agudelo et al., 2019).

The developments listed above may have had an indirect impact on corporate social responsibility (CSR). They also demonstrate the increased global awareness of environmental protection and sustainable development issues that impact corporate behavior in an indirect manner, particularly when it comes to issues like "environmental pollution, employment discrimination, consumer abuses, employee health and safety, quality of work life, deterioration of urban life, and questionable/abusive practices of multinational corporations".

Concepts like stakeholder management and business ethics were more and more common in business lexicon during the 1980s (Latapí Agudelo et al., 2019).

1990:

In this section we will look at the 1990s. In short, at the beginning of this decade

CSR is perceived as a concept that is part of a decision-making process. Carroll in 1991 introduced the "Pyramid of Corporate Social Responsibility" in order to symbolize what he identified as the four primary obligations of every business while also expressly imposing some obligations on firms. The World Commission on Environment and Development was founded in 1983, the UN adopted the Montreal Protocol in 1987, the IPCC was founded in 1988, the European Environmental Agency was founded in 1990, and the UN summit on the environment was held during this time. Adoption of international agreements on sustainable development also occurred during this time period. This constituted a shift in how CSR was perceived, and as a result, both international organizations and businesses began to institutionalize CSR and use it to balance the opportunities and difficulties of the day (Latapí Agudelo et al., 2019).

In the middle of this decade also, there were several discussions around the strategic use of CSR. Additionally, during this time period, alternative topics like stakeholder theory, corporate social performance, and corporate citizenship gained popularity. Even when these topics were consistent with the prevailing CSR understanding, their use led to confusion about the term's definition, and by the end of the decade, the concept lacked a universal definition and had ambiguous boundaries.

More specifically, this decade has been marked by international events that have shaped the international perspective on CSR and sustainable development in general. Some of them are: the creation of the European Environment Agency (1990), the UN summit on the Environment and Development held in Rio de Janeiro which led to the Rio Declaration on Environment and Development, the adoption of Agenda 21 and the United Nations Framework Convention on Climate Change (UNFCCC) (1992), and the adoption of the Kyoto Protocol (1997).

These developments, with the creation of these international institutions and international agreements reflected international efforts to further raise awareness around climate and environment related issues and obviously corporate responsibility, even if indirectly for the latter.

It is undeniable that during the 1990s the CSR phenomenon is receiving international resonance and this decade could rightly be called the decade of CSR globalization and because of the process of globalization taking place during these years. In this decade multinational companies are also making a strong appearance, which brings out different business environments on the global scene. With the prevalence of MNCs, therefore, the consolidation of CSR became stronger as MNCs realized that through being socially responsible, they could bridge the gap between the prospects and challenges created by the globalization phenomenon at that time. The establishment of the Business for Social Responsibility (BSR) association in 1992, which at first comprised 51 companies with the goal of becoming a force for positive social change-a force that would preserve and restore natural resources, ensure human dignity and fairness, and operate transparently is the most notable example of the institutionalization of CSR. The European Commission also played an important role at that time in implementing CSR. For example, it adopted the European Business Declaration, created by 20 business leaders, as a response to social exclusion and unemployment. It also set up the European Business Network for Social Cohesion, which aimed to strengthen CSR in organizations (Latapí Agudelo et al., 2019).

> *"A firm should be a good corporate citizen".*
> *Carroll, 1991*

This decade also saw the emergence of the concept and strategic approach to CSR, which focuses on supporting core business activities and improving the company's effectiveness with the ultimate aim of achieving its objectives. In other words, the strategic approach to CSR reflects, one could say, the link between CSR and the positive financial performance of a company(Burke and Longsdon,1996, cited in Latapí Agudelo et al., 2019).

Five dimensions of Strategic CSR by Burke and Longsdon(1996,cited in Latapí Agudelo et al., 2019) for achieving business objectives and for value creation: 1. Centrality→ it demonstrates how well CSR aligns with the company's goals and mission; **2.Specificity→** it denotes the capacity to obtain certain advantages for the company; **3.** initiative, or the capacity to develop policies in advance of societal trends; **4.Voluntarism→** defined as the practice of making decisions at one's own discretion without regard to outside conformity requirements; The relevance of the observable and recognizable CSR for internal and external stakeholders is referred to as **visibility (number five).**

Notably, in 1994, the emergence of the "Triple Bottom Line" theory by Elkington as "*a sustainability framework that balances the company's social, environmental and economic impact*". Elkington explained that "the way to achieve an outstanding triple bottom line performance (social, environmental, and economic) is through effective and long-term partnerships between the private and public sectors, and also among stakeholders". This concept was seen as a practical approach to sustainability and was linked to the CSR debate because "*it indicates that corporations need to have socially and environmentally responsible behaviour that can be positively balanced with its economic goals*"(Elkington,2018, cited in Latapí Agudelo et al., 2019).

In conclusion, the 1990s marked the global reach of CSR. Due to the emergence of the phenomenon of globalization , multinational corporations and capitalism, companies now had new issues to deal with such as competitiveness, reputation, global visibility etc.

The emergence of new concerns on a global scale, created a climate of uncertainty around what is ultimately considered CSR , leading the concept to have "unclear boundaries and debatable legitimacy"(Lantos,2001, cited in Latapí Agudelo et al., 2019). That is, there was no universally accepted definition of CSR until the end of the decade.

Finally, to this decade should be added the initiative of the Clinton presidency in the USA in 1990, with the Ron Brown Corporate Citizenship Award. This initiative was aimed at further motivating the world to focus on the concepts of corporate citizenship and social responsibility.

Furthermore, a very important event in the 90's that offered CSR a more international glow was the World Economic Forum which took place in 1999, in Davos, Switzerland where the then Secretary General of the United Nations, Kofi Annan gave a speech about social responsibility: *"I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market"*.

This led to the creation of the UNGC (United Nations Global Compact) in July 2000. The Compact was a gathering of 44 global companies, 6 business associations, 2 labor and 12 civil society organizations. The purpose of this body was to bridge the governance gap between human and social rights and environmental issues and to introduce global values into the marketplace. It is noteworthy that this pact has succeeded in formulating 10 key concepts of corporate behaviour that companies are obliged to apply to their strategies, policies and general processes in order to create a corporate environment of integrity with long-term objectives. Although the Covenant is not directly linked to CSR, its ten key principles relating to human rights, the environment, anti-corruption measures, etc., could be said to have been another development to focus global attention on social responsibility (Latapí Agudelo et al., 2019).

In the 2000s we also have the Millennium Development Goals (MDGs) by the United Nations' Millennium Declaration which included 8 goals; this was not directly linked to CSR either, but it was a framework for cooperation between the United Nations and the private sector and was another development that put forward the need for CSR(Latapí Agudelo et al., 2019).

Up to this point, reference was made to developments that were not directly related to CSR. The year 2001 was a milestone for CSR in the European context with the presentation by the European Commission of a Green Paper entitled "Promoting a European framework for Corporate Social Responsibility". The inspiration for this Green Paper came from the social expectations of the time, but more importantly from the growing interest and concern about the environmental impact of economic/corporate activities. This Green Paper aspired to be further integrated into international initiatives such as the UNGC. It is undoubtedly the first step towards CSR which was adopted in 2002. This was only the beginning, as the Commission has increasingly promoted the European approach to CSR, notably through a series of campaigns (Latapí Agudelo et al., 2019).

Due to the volume of significant CSR-related events in the 2000s, the decade can be divided into two parts. While the second section focuses on the strategic approach to CSR offered by the academic publications of the time, the first section focuses on the recognition, growth, and implementation of CSR (Agudelo et al.,2019).

The European approach to CSR derives from the understanding that CSR is: "*the responsibility of enterprises for their impacts on society and outlines what an enterprise should do to meet that responsibility"* (European Commission, 2011 cited in Latapí Agudelo et al., 2019, p.9).

In the 2000s, emphasis began to be placed on the strategic approach to the term CSR. Many scholars have addressed this issue in this decade, since as Lantos (2001) had pointed out, in the 21st century, societies are likely to demand that companies make social issues part of their strategies. In other words, we can say that we are talking about an issue that is probably here to stay.

In this section we will dwell on some important approaches and conclusions of some scholars on the strategic approach to CSR, which was so preoccupied in the 2000s.

For Lantos mentioned above, *"CSR can become strategic when it is part of the company's management plans for generating profits, which means that the company would take part in activities that can be understood as socially responsible only if they result in financial returns for the firm"* (Lantos,2001 cited in Latapí Agudelo et al., 2019).

Possibly for the first time, the term "strategic" was intrinsically connected to CSR in the way Lantos described the boundaries of CSR. Since then, the literature on CSR has started to incorporate strategic elements into the idea, and some academics have started adopting the term Strategic Corporate Social Responsibility (SCSR)(Latapí Agudelo et al., 2019).

Another important point made by Marrewijk was that he recognized the Corporate Sustainability as the contemporary understanding of CSR. One of his approach was the holistic approach, which defined that CSR is motivated by the search for sustainability so, companies have a new role within society and as a result, must make tactical choices to fit its social context(Marrewijk,2003 cited in Latapí Agudelo et al., 2019).

After that, Porter and Kramer, constructed the idea that businesses can get a competitive advantage through SCSR and detailed how businesses might take advantage of their competitive environment through a strategy method that boosts the firm's competitiveness while producing shared value in the form of societal advantages. Before focusing on those with the highest strategic value, a corporation should first assess itself to map the social impact of its value chain and determine the good and harmful impacts of its actions on society, according to Porter and Kramer. The organization should then go inward to understand how their social environment influences their productivity and how they implement their business plan. Businesses would thus be able to understand how their social environment affects them and modify their business plan (Porter and Kramer, 2006 cited in Latapí Agudelo et al., 2019).

In their work, Porter and Kramer provided a fresh concept of SCSR as a means of maximizing the interdependence between company and society, as well as an explanation of the advantages of adopting SCSR as a holistic business framework as opposed to a confined goal-oriented perspective. Indeed, Porter and Kramer (2006,cited in Latapí Agudelo et al., 2019) contended that a company's capacity to create social benefits in tandem with economic objectives is constrained when it employs CSR as a means of securing the social license to operate, establishing and preserving a reputation, or attending to stakeholder satisfaction.

The concept of creating value through SCSR was advanced by Husted and Allen who surveyed the top enterprises in Spain based on employee count to identify the key strategic attributes that businesses believe are essential for generating value through SCSR. To achieve this, Burke and Logsdon (1996,cited in Latapí Agudelo et al., 2019) identified five strategic CSR aspects. Husted and Allen built on these dimensions to provide their own definition of SCSR, which is the organization's ability to:

1)Establishing a competitive advantage through customer knowledge of firm behavior (visibility),2) anticipating competitors' acquisition of strategic factors (proactivity), 3)giving a portfolio of firm resources and assets a coherent focus (centrality), and 4)ensuring that the added value created benefits the firm (appropriability) are the four key components of proactivity. It is important to remember that Husted and Allen did not include voluntarism -a concept proposed by Burke and Logsdon - in their definition of strategic CSR, but they did highlight its significance as a critical component of CSR for value creation.

Using Burke and Logsdon's five CSR dimensions, Husted and Allen, surveyed 110 top executives from Spain's largest companies and found that the three most significant strategic CSR dimensions that could be linked to value creation were voluntarism, appropriability, and visibility (despite the fact that voluntarism is not included in their definition of SCSR). According to their findings, value creation through increased customer loyalty, attracting new customers, the emergence of new markets and product opportunities, and visibility as determined by CSR's media presence and a positive perception of the company can all be correlated with visibility. Husted and Allen noted that the surveyed companies created their CSR policies with the intention of creating value, but that this value seems to be limited to the economic benefits of the companies themselves and may not necessarily be for all of their stakeholders. Appropriability is the way in which the company manages to retain the value created. Finally, Husted and Allen recognized voluntarism as a crucial component of value creation. Voluntarism is the strategic management of socially-oriented policies that go above and beyond legal obligations. However, their findings indicate that the surveyed firms were not going above and beyond what was required by law, which may be a result of the immeasurable and intangible nature of such activities (Husted and Allen 2007, cited in (Latapí Agudelo et al., 2019).

In addition, Husted and Allen's two most important contributions to the idea of SCSR are as follows: first, SCSR creates new opportunities through the constant pursuit of value creation, which in turn leads to innovation. Second, putting SCSR into practice with the intention of adding value is inextricably related to societal demands. It is unclear whether the surveyed companies were truly implementing corporate social responsibility (CSR) holistically, given Husted and Allen's observation that the companies prioritized value creation from a perspective that was restricted to the corporations' own financial gains rather than necessarily for all of their stakeholders(Latapí Agudelo et al., 2019).

Heslin and Ochoa elaborated on the notion that SCSR can provide companies with a competitive advantage and create value, stating that although these practices are most effective when tailored, they nonetheless follow general guidelines. In order to validate their theory, Heslin and Ochoa looked at 21 excellent CSR practices. They discovered that the selected organizations' strategic CSR strategy is guided by seven common principles: develop the necessary skills, open up new markets, protect labor, reduce environmental footprint, profit from by-products, involve customers, and green the supply chain(Heslin and Ochoa,2008, cited in Latapí Agudelo et al., 2019).

The relevance of the guidelines put forward by Heslin and Ochoa stems from the idea that businesses can expand their commercial potential while also enhancing the social environment in which they operate. According to Heslin and Ochoa, in order to develop the necessary talent, businesses must foster and keep skilled workers who will lead to greater and more stable career possibilities. Similar to this, the strategic importance of protecting labor welfare depends on finding creative solutions for the unique social context of each organization, in addition to preventing child labor. (Latapí Agudelo et al., 2019)

The list of sample SCSR activities provided by Heslin and Ochoa clarifies the potential benefits of SCSR for creating shared value for companies, their stakeholders, and the community in which they operate. As per the findings of Heslin and Ochoa's study, it seems that the notion of generating shared value functioned as a driving force behind the integration of global and intricate issues into the SCSR strategies of notable firms. By the end of the 2000s, SCSR was acknowledged for its capacity to address social concerns and generate shared value (Heslin and Ochoa, 2008, cited in Latapí Agudelo et al., 2019).

In the following years a series of events followed, mainly key conferences on a European scale, which actually promoted and further consolidated the understanding of the concept of CSR , which could now be further promoted in the European business world. Some of these conferences between 2001-2004 are:

1. “What is CSR?” – Brussels
2. “Why CSR?” – Helsinki
3.”How to promote and implement CSR” – Venice

These conferences led to the adoption of CSR as a strategic element for the Plan of the General Direction of Business of the European Commission. Also another important event that promoted the European objectives on CSR is the creation of the "European Roadmap for Businesses - Towards a Competitive and Sustainable Enterprise" by the European Commission in 2005(Latapí Agudelo et al., 2019) .

2010

Also in the 2010s, the concept of shared value(CSV) emerged , which at first seemed to replace the concept of CSR. For shared value during this decade various definitions were given through the relevant literature, however, it can ultimately be concluded that the creation of shared value is an integral part of CSR (Latapí Agudelo et al., 2019).

The concept of creating shared value was further developed by Porter and Kramer, who defined it as policies and operational procedures that boost a business's competitiveness while simultaneously enhancing the social and economic environment in the areas in which it works and characterized it as a crucial phase in the growth of businesses. Gaining a deeper comprehension and connection between society and economic advancement is the aim of shared value creation.
A contributing factor to the requirement for Creating Shared Value (CSV) for their long-term success, according to Porter and Kramer, is the old, narrow-minded firm plans, which usually don't take into consideration the wide variables that affect business decisions. Interestingly, Porter and Kramer include CSR in this group and suggest that CSV should take its place, since it is an outmoded and constrained notion that has emerged as a means of enhancing a company's reputation (Porter and Kramer, 2011 cited in Latapí Agudelo et al., 2019).
Maybe the most relevant contributions from Porter and Kramer are the assertion that "*the purpose of the corporation must be redefined as creating shared value*" and the observation that the first step in doing so is the identification of societal needs as well as the advantages or disadvantages that the company embodies through its products. Because of this, Porter and Kramer suggested three ways for creating shared value: creating industry clusters that support the company's operations, rethinking goods and markets, and redefining productivity along the value chain(Porter and Kramer, 2011 cited in Latapí Agudelo et al., 2019).

Porter and Kramer argued for a change in company tactics, saying that the primary goal should now be creating shared value, even though they did not directly contribute to the notion of CSR. Leila Trapp (2012, cited in Latapí Agudelo et al., 2019) defined the third generation of CSR as the point at which businesses begin to reflect their concerns about social and global issues on their activities, even when some of those concerns may not directly relate to their core business. This perspective on the creation of shared value is evident in this generation of CSR (Latapí Agudelo et al., 2019).

On the other hand, Trapp expanded upon Marrewijk's historical analysis of corporate social responsibility (CSR) to describe what she termed the third generation of CSR as a result of the changing roles and duties of every societal sector and the increasing interconnectedness of the public, private, and social domains. Consequently, it is possible to view the Trapp third generation of CSR as the result of businesses embracing and assuming their new societal responsibilities. (Latapí Agudelo et al, 2019).

Trapp gave an example of the third generation of CSR through a case study of Vattenfall, the Swedish state-owned electricity company that began a CSR-backed stakeholder engagement initiative in 2008 with the goal of mitigating climate change. The case study showed that, even though Vattenfall's campaign explicitly addressed social and global issues (such as climate change), it still reflected standard business goals (in this case, raising awareness of the company's environmental initiative and developing a brand image linked to the battle against climate change that would provide it a competitive advantage over competitors). Trapp contributed to the notion of CSR by outlining the new responsibilities and activities that businesses are willing to take on in order to generate shared value (Trapp 2012, cited in Latapí Agudelo et al., 2019).

Chandler examines the evolution of corporate social responsibility (CSR) and how it is becoming more and more important to a company's day-to-day operations and strategic decision-making in the book's fourth and most recent edition. This version makes it apparent that one of the main objectives of SCSR, according to Chandler is to create sustainable value (Latapí Agudelo et al., 2019).

By incorporating a holistic CSR perspective into a company's strategic planning and core business operations, Chandler and Werther (2013,cited in Latapí Agudelo et al., 2019) defined SCSR as "*the management of a firm in the interests of a broad set of stakeholders to achieve maximum economic and social value over the medium to long term*." A slightly modified definition that reflects Chandler's new understanding of value creation is provided in the book's fourth edition by Chandler: *"The incorporation of a holistic CSR perspective within a firm's strategic planning and core operations so that the firm is managed in the interests of a broad set of stakeholders to optimize value over the medium to long term*" (Chandler 2016, as cited in Latapí Agudelo et al., 2019).

The new SCSR component, the optimization of value, supports Chandler's updated perspective, according to which the maximization of profit, or tradeoffs, is no longer an acceptable aim. Businesses should attempt to maximize value over the long run by focusing on their areas of competency rather than maximizing earnings. This would refocus efforts away from profit maximization and toward the creation of shared value (Chandler, 2016 cited in Agudelo et al., 2019). Important components of SCSR include embedding the five elements into the corporate culture with clear guiding principles and integrating them into a corporate framework that sets the criteria for the decision-making process in order to achieve this. This supports Chandler's assertion that SCSR needs to be incorporated into day-to-day operations, in order to be successful, a point he frequently makes in his papers and books. Another important contribution from Chandler and Werther's work is the clear call for the full integration of SCSR into a company's corporate culture, decision-making process, and day-to-day operations (Chandlerand Werther,2013 cited in Latapí Agudelo et al., 2019).

Other year - stations are: **2011**→ The updated European Union Strategy for CSR for the years 2011-2014.
2015→ Enterprise 2020 Manifesto→ launched by the CSR Europe → set directions for businesses and creation of an inclusive sustainable economy. Due to its strategic approach and goal of ensuring value generation for its stakeholders through the 10,000 enterprises reached through its network, the Manifesto is possibly CSR Europe’s most important contribution in the second half of the 2010s.
The Manifesto concentrates on creating value in **5** important areas: **1.** Societal effect by promoting ethical and sustainable business practices **2.** Membership engagement and satisfaction which are intended to ensure the continuation of CSR Europe’s work to fulfill its objective and have a social impact **3.** Financial security **4.** Employee involvement that prioritizes investing in both individual and organizational capability **5.** Evaluation of the environmental effect to identify areas for improvement are the other prerequisites(CSR,2016 cited in Latapí Agudelo et al., 2019)

During the decades 2000-2010, international certifications were created to address social responsibility, have also had an impact on the global acknowledgement of CSR. As in the case of ISO 26000, which dates back to 2022 when the ISO Committee on Consumer Policy advocated the development of CSR guidelines to complement the quality and environmental management standards(ISO 9001 and ISO 14001) respectively. Throughout the course of five years (2005-2010), a working group led by Brazil and Sweden worked with stakeholders and National Standards Bodies to develop the ISO 26000-Social Responsibility, which was adopted in September 2010(Latapí Agudelo et al., 2019).

The creation of the ISO 26000 is significant for the CSR movement not only because it provides guidelines for how companies can conduct themselves in a socially responsible manner, but also because it was created by 450 experts from 99 countries and 40 international organizations and has been adopted as a benchmark for national standards by more than 80 countries (Latapí Agudelo et al., 2019).

The Paris Agreement , the rollout of the Green New Deal and other landmark events will make the years following 2015, the most significant of the decade.

The establishment of the Sustainable Development Goals(SDGs) which are 17 and constitute a common vision of humankind and a social compact between the world’s leaders and the people is part of the 2030 Agenda for Sustainable Development(Latapí Agudelo et al., 2019).

The notions that embrace the SDGs will need to develop particular policies and regulations that will exert pressure on businesses to adopt new business practices or to enhance their existing ones, even if the SDGs do not contain any promises for the private sector. This is especially important in light of the fact that the SDGs include a wide range of topics including the prevention of climate change, the eradication of poverty and hunger , the promotion of innovation and the promotion of sustainable consumerism. In addition, because the SDGs are interrelated, attaining one objective may require addressing problems with another (Latapí Agudelo et al., 2019)

5.EU and CSR

In the previous section, therefore, we focused on the origins of CSR. In this chapter, we will move on to analyze the European Union's policy in the field of disclosure of non-financial information and the adoption of the CSR Directive , which can be described as a turning point for creating and maintaining a more sustainable future within the European bosom.

Given that the SDGs do not represent commitments for the private sector, it is pertinent to note that large companies of public interest (listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities) are required by EU law, through the Directive 2014/95/EU, to disclose diversity and non-financial information starting with their 2018 reports and onward .The Directive is relevant to this study because it stems from the European Parliament's recognition of the critical role that disclosure of non-financial information plays in the EC's promotion of CSR. As a result, it can be anticipated that the Directive will have an effect on the growth of CSR reporting within the EU as well as with the Global Reporting Initiative (GRI)(Latapí Agudelo et al., 2019).

The deeds of corporations have a profound effect on people's lives both inside and outside the EU. Not just in terms of the products and services they offer, the jobs they generate, or the employment prospects they generate, but also in terms of the environment, human rights, health, and workplace culture, as well as innovation, education, and training.

Residents of the EU therefore have the right to demand that companies disclose their positive and negative effects on society and the environment. and as a consequence, control, stop, and minimize any possible negative consequences they might have, including those on their international supply chain. "Corporate social responsibility" (CSR) is the term used to describe the process of fulfilling this duty(European Commission,2023) . CSR should be led by the organization itself, since the Commission has defined it as the responsibility of an organization for its social impact. Businesses can become socially responsible by integrating ethical, consumer, social, environmental, and human rights concerns into their corporate strategy and operations while adhering to the law. Where more regulation is required, public authorities provide assistance for the voluntary policy actions. (European Commission,2023).

5.1.Why is CSR crucial for the EU?

In terms of risk management, cost savings, capital access, customer relations, HR management, operational sustainability, potential for innovation, and eventually profit, firms can benefit greatly from CSR and RBC.

For the EU economy, CSR and RBC (Responsible Business Conduct) encourage firms to be more inventive and sustainable , which contributes to the development of a more sustainable economy.

In order to forge a more cohesive society and lay the groundwork for the transition to a sustainable economic system, CSR and RBC offer a set of guiding principles for society (European Commission,2023).

The European Commission exhorts companies promoting corporate social responsibility (CSR) within the EU to adhere to global standards and values. To be more precise, the 2011 update to the EU's CSR strategy which aims to bring European and global CSR perspectives into alignment forms the basis of the policy. This approach stresses the need of promoting best practices and increasing public knowledge of CSR by integrating it into research, teaching, and training. Additionally, the strategy improves business disclosure of social and environmental data as well as cooperative and self-regulatory processes (European Commission, 2023).

As part of the corporate sustainability reporting process, the directive was created and is being promoted. Large corporations and publicly traded companies are required by EU legislation to regularly publish reports on the social and environmental risks they face as a result of this process, as well as the effects of their operations on both people and the environment (European Commission, 2023).

5.2.Why and how the EU is acting towards CSR?

All large companies and listed companies, with the exception of listed micro-enterprises, are required by EU law to disclose information on the risks and opportunities that they perceive to be associated with social and environmental issues, as well as the effects of their operations on both people and the environment.
As part of the European Green Deal(it will be examined further in a next chapter of this study), this aids investors, civil society organizations, customers, and other stakeholders in evaluating the sustainability performance of businesses (European Commission, 2023).

In order to establish the best possible business environment for sustainable growth, job creation, and innovation, the European Commission wants to maintain coherence between industrial, environmental, climate, and energy policies. To help with this, the Commission has set up a bold plan to move the EU economy toward a circular one, where the value of goods and resources is preserved for as long as feasible, resulting in significant economic gains. Additionally, through eco-design regulations, the Commission helps European industry transition to a climate-neutral economy and increases product energy efficiency (European Commission, 2020).

Areas of action:

→ Circular Economy: The Commission is taking a number of steps to help with the shift to a more circular economy. These cover every aspect of the life cycle, including manufacturing, consumption, waste management, and the secondary raw material market. A circular economy minimizes waste and uses resources while extending the useful life of products and materials. This could encourage expansion, creativity, and the development of jobs.In 2020, the Commission approved a new circular economy action plan as part of the new industrial policy. (European Commission, 2020).

→ Towards a climate-neutral economy: The energy, industrial, transportation, and construction industries in Europe are changing as they make the transition to a climate-neutral economy(European Commission, 2020).

→ Sustainable Product Initiative, eco design and energy labeling .

Policies pertaining to energy labeling and eco design can help to increase a product's energy efficiency. By eliminating the weakest performers from the market, it makes a significant contribution to the EU's 2020 energy efficiency target. Through promoting improved environmental performance in products across the internal market, ecodesign additionally stimulates competitiveness and industrial innovation. EU product policy should strive to minimize resource consumption and the environmental impact of product production and use in accordance with the objectives of the green agreement. In order to do this, we are launching the sustainable product policy initiative, which will establish a set of laws ensuring that all products manufactured or brought onto the EU market comply with technical sustainability standards.(European Commission, 2020)

The EU has also introduced other initiatives, mainly sectorial, on sustainability. For example, " ***The Circular Plastics Alliance***" which gathers participants from the public sector, academia, and business to address the entire EU plastics value chain and increase the EU market for recycled plastics to 10 million tonnes by 2025. ***"The EU strategy for textiles",*** which enhances the industry's innovative capacity and expands the EU market for recycled textiles.

"The plan for a sustainably constructed environment For all EU people", which is a comprehensive strategy for a built environment that is resilient, intelligent, and climate neutral. It will include lifecycle methodologies and circularity principles.
climate, resource efficiency (energy and otherwise), waste management (building and destruction), accessibility, digitalization, and skills.(European Commission, 2020)

As the EU puts the issue of sustainability at the core of its objectives and therefore of its policies, it is worth studying European corporate sustainability reporting with emphasis on the European directives that constitute it.

6. EU Directives on Non-Financial Reporting: 2013/34/EU Directive's to 2014/95/EU Directive's transition.

Let us examine firstly **why the EU requires the disclosure of non-financial and diversity information by large companies and groups** that led to the constitution of the respective Directive.

The "Green Paper: Promoting frame-work for Corporate Social Responsibility" published in 2001 by the European Commission essentially reflects the policy of the European Union in the field of disclosure of non-financial information. The Green Paper, which is governed by the EC, includes both internal and external non-financial topics that primarily deal with CSR issues. The European Union created a plan in 2011 called "*European Commission Communication on CSR 2011: Implementation Table*" to develop best practices for reporting on social and environmental issues in Member States. The adopted strategy included improving the social and environmental reporting as one of its goals. (Kamiński, 2020)

The adoption of Directive 2013/34/EU in 2013 which addresses the disclosure of information on environmental issues, social and employment issues, including the protection of human rights, anti-fraud and corruption, and respecting the principles of diversity management was a very significant development in the field of non-financial reporting. In accordance with Directive 2013/34/EU, all quoted companies, insurance companies, banks, and other organizations of public importance that, as of the balance closing date, employed more than 500 people on average are required to report information related to large enterprises of public interest in the form chosen by the company, i.e. either in the annual financial report or in a separate report. There must be non-financial reporting created regarding the principle of complying or explaining , meaning the necessity to explain the reasons for the non-disclosure of certain information. (Kamiński, 2020)

The disclosure of non-financial information is addressed under current EU law, namely Directive 2013/34/EU on the annual financial statements, consolidated financial statements, and related reports of certain types of undertakings. However, the requirements of the current legislation have shown to be ambiguous and ineffectual, and they are implemented in various ways throughout Member States. Less than 10% of the biggest EU corporations regularly report this information as of now. Some Member States have over time added disclosure requirements that go above and beyond the Directive. (Kamiński, 2020)

The EU Directive 2013/34/EU is modified by Directive 2014/95/EU. In order to effectively contribute to long-term economic growth and employment, EU enterprises must raise their transparency and performance on environmental and social issues.

Companies involved will be required to include relevant and material information in their management reports about their policies, results, and risks. This includes the due diligence they employ as well as pertinent non-financial key performance indicators relating to environmental considerations, social and employee-related issues, respect for human rights, anti-corruption and bribery issues, and diversity on the board of directors. (Kamiński, 2020)

Companies will still have a lot of freedom to share pertinent information whenever they see fit, including in a separate report. Depending on their unique qualities or the nature of their business environment, they may apply international, European, or national guidelines(European Commission,2014)

And here the raises the question **why does business transparency matter and the disclosure of environmental and social information is important?**

Better performance is a result of transparency. This applies to the disclosure of information on social and environmental issues as well as financial facts. Transparent businesses outperform opaque ones over time, incur lower financing costs, recruit and keep top people, and succeed in the long run.

In order to have a thorough understanding of a company's development, performance, position, and impact of its activities, investors are becoming more and more interested in non-financial information. They do a thorough analysis of this data before making investing decisions.(European Commission,2014)

And at this point raises the question **why the EU decided to enact a legal requirement and more specifically a "package" of Directives?**

We have come to understand the limitations of a voluntary approach over time. Approximately 2 500 significant EU companies -less than 10% of the EU's large companies-disclose environmental and social information on a regular basis now. The best course of action at this time is to regulate some basic requirements while avoiding any unnecessary administrative load, especially for the smallest enterprises.(European Commission,2014)

We should refer to the fact that this Directive does not relate directly to the concept of "Integrated Reporting" . The Directive emphasizes on social and environmental disclosures. Integrated reporting is a step up and concerns the thorough and logical integration by businesses of information on their financial, environmental, social, and other aspects. To be clear, this Directive does not mandate integrated reporting for businesses.

The International Integrated Reporting Council's activities, in particular, are being closely watched by the Commission as the integrated reporting idea develops.(European Commission,2014)

The European Parliament approved Directive 2014/95, or the CSR directive, on April 15, 2014. Starting with the fiscal year 2017, this legislation requires "public interest entities" with more than 500 employees, more than 20 million euros in total assets, or more than 40 million euros in revenues, to produce yearly non-financial reports. Public interest entities include businesses registered on stock exchanges controlled by the EU, non-listed banks and insurance corporations, and other businesses identified as such by national authorities (for instance, due to size or industry association).

The CSR directive mandates that information on policies, key risks, and outcomes pertaining to environmental issues, social and employee considerations, respect for human rights, anti-corruption issues, and diversity in their board of directors be included in the non-financial report. As a result, the CSR regulation significantly expands the requirement for public interest corporations to submit annual reports, adding an environmental, social, and governance component to the financial one. According to Article 2 of the CSR directive, the EU commission is required to create implementation guidelines for reporting "with a view to facilitating relevant, useful and comparable disclosure of non-financial information," including both general and sector-specific non-financial key performance indicators. These recommendations were made public on June 26, 2016(Fiechter, Hitz and Lehmann, 2019).

By the sixth day of December 2016, the CSR directive had to be incorporated into the national laws of the member states. Similar to the requirement for financial reports, the directive places another obligation on member states to make sure that adequate enforcement measures are in place. The CSR directive is an example of a so-called "minimum harmonization" directive because it merely specifies minimum standards that must be accepted by all members, while enabling them to go above and beyond these standards. In order to achieve this, the CSR directive specifies a number of transposition possibilities that member states may choose to implement. (Fiechter, Hitz and Lehmann, 2019) .

In conclusion, the CSR directive is a first-of-its-kind supranational disclosure legislation, requiring a broad range of companies to greatly increase their annual disclosures, telling stakeholders about the non-financial performance of the companies in a thorough, comparable manner. Since the CSR guideline was adopted in early 2014, businesses were made aware of this rule around four years before the first non-financial report disclosure was required in 2018.This window of time provides a context for researching the responses to the regulation that businesses make(Fiechter, Hitz and Lehmann, 2019).

7.Amendment of the Directive 2013/34/EU by Directive 2014/95/EU of the European Parliament and Council on October 22,2014, with reference to the publication of non-financial and diversity information by specific major companies and organizations.

According to Article 1 Section 1 Item 1 of the EU Directive, the organizations in question are required to include in their reports non-financial information that is necessary to comprehend the organization's development, results, and position as well as the impact of its operations on environmental and social issues, respect for human rights, and combating bribery and corruption. This information must at least include a brief description of the business model of the undertaking, a description of the policies the undertaking pursues in relation to those matters, including the procedures used for due diligence, the outcomes of those policies, and the main risks associated with those matters pertaining to the undertaking's operations, including, where applicable, its business relationships, products, or services which are likely to cause adverse impacts in those areas; and how the undertaking intends to mitigate those risks. **(**Kamiński, 2020)
As stipulated in the preamble to Directive 2014/95 UE, the report needs to contain the following data: issues pertaining to the environment, including health and safety, the use of renewable and/or non-renewable energy, greenhouse gas emissions, water use, and air pollution; issues pertaining to society and employees, including gender equality, the application of ILO conventions, working conditions, social discourse, and respect for the right of workers to information and consultation; and any other issues that are pertinent to workers. (Kamiński, 2020)

Such statements should be included in the management report of the undertaking in question and should include a summary of the policies, results, and risks associated with those items. The undertaking's implementation of due diligence measures, including information on its supply and subcontracting chains when appropriate and relevant, should also be covered in the non-financial statement in order to identify, prevent, and mitigate any actual or possible negative effects. If reporting organizations do not adhere to any policies on the aforementioned difficulties, they must at the very least explain why. By way of exception, they may withhold details regarding events that are anticipated or subjects of ongoing negotiations if disclosing them could substantially harm the organization's business position while having no effect on the correct and objective understanding of the development, performance and position of the organization and the results of its activities. (Kamiński, 2020)
The company may not be required to report non-financial information if, within six months of the balance closing date, it prepares a separate report and publishes it online, alongside

financial statements, or both. If the financial statements include a reference to this report, the company may be exempt from this requirement. In order to disclose relevant information (including reporting in a separate report), companies can rely on international, European, or national guidelines (such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, ISO 26000, etc.) with considerable latitude.(Kamiński, 2020)

Below, they are presented the amendments in 2013/34/EU Directive (EUR-Lex, 2014).

Article 19a

Non-financial statement

A non-financial statement that includes information as needed to comprehend the undertaking's development, performance, position, and the impact of its activities, including, but not limited to, environmental, social, and employee matters, respect for the rights and welfare of minorities, and the impact of the undertaking's activity, must be included in the management report of large, public-interest entities that exceed the criterion of the average number of 500 employees during the financial year on their balance sheet dates.

- (a)Briefly describe the business model of the undertaking; (b) outline the policies the undertaking has pursued in relation to those matters, including the procedures for conducting due diligence; (c) describe the outcomes of those policies; and (d) outline the main risks associated with those matters related to the operations of the undertaking, including, where appropriate and relevant, its business relationships, products, or services that are likely to have negative effects in those areas.
  (EUR-Lex,2014)

  - A company's business model explains how it creates and maintains value over time through its goods and services. The management report's overall context is provided by the business model. By outlining how a company converts inputs into outputs through its business operations, it gives a general overview of how it runs and the justification for its organizational structure. What a corporation does, how it does it, and why it does it, to put it another way. Companies may think about including pertinent disclosures when describing their business model, such as their business environment, organization and structure, markets in which they

> operate, goals and strategies, and major trends and factors that may have an impact on their future development. (EUR-Lex,2017)

Companies should make material information available that gives a fair representation of their policies public. They ought to take into account disclosing their strategies for important non-financial components, primary goals, and the means by which they intend to achieve those goals and carry out their plans. Any disclosures would consider the particular circumstances of the company. These disclosures allow a corporation to detail the roles and actions of its management and board, as well as how resource allocations relate to goals, risk management, and anticipated outcomes. For instance, a business might describe important governance elements, such as board oversight.

Processes of due diligence are related to outcomes, risk management, and policies. A corporation engages in due diligence procedures to ensure that it achieves a specific goal (such as guaranteeing that carbon emissions are kept below a predetermined level or that there is no human trafficking in the supply chains). They assist in recognizing, averting, and minimizing current and anticipated negative outcomes. Companies should disclose pertinent information on the implementation of their due diligence procedures, including, as appropriate and relevant, information about their suppliers and supply chains. They may also think about making the proper disclosures of the choices made to set them up and how the procedures are meant to operate, particularly with regard to preventing and minimizing negative effects. Companies might also think about offering pertinent information about establishing goals and measuringprogress.

Companies must identify and detail any significant adjustments to their core principles and due diligence procedures during the reporting year.

It is possible that a business does not have policies in place for certain topics that it nonetheless views as important. After that, such a corporation should offer a concise justification for not having created those policies. There are still other reporting requirements (such as business strategy and primary risks) (EUR-Lex,2017) .

-the outcome of those policies

Businesses should present a helpful, fair, and impartial analysis of the results of their policies. Investors and other stakeholders should be able to comprehend and keep track of a company's performance with the aid of the non-financial information that companies release. Relevant disclosures regarding the results of policies may offer helpful insight into the company's strengths and weaknesses. The non-financial statement need to succinctly and completely summarize the outcomes of a business' operations and endeavors. Businesses can think about describing the connection between financial and non-financial outcomes, as well as how this is handled throughout time (EUR-Lex,2017).

Examples and KPIs:

The following disclosures may be specifically included by a company: actual carbon emissions, carbon intensity; use of hazardous chemicals or biocides; impacts and dependencies on natural capital; comparison with targets, developments over time; mitigating effects of implemented policies; plans to reduce carbon emissions (EUR-Lex, 2017).

The main risks associated with those operations-related issues, including, when appropriate and proportional, its business partnerships, products, or services that could have negative effects there, and how the undertaking manages those risks.

Companies should be transparent about their key risks, as well as how they are handled and reduced. These dangers may be connected to their operations, goods or services, supply chain, commercial connections, or other elements. An suitable viewpoint on short-, medium-, and long-term major risks would be included. Companies are expected to describe how key risks could affect their operations, business model, financial results, and overall impact of their actions.

No matter whether the main risks come from the company's own decisions or activities or from outside causes, it is anticipated that the company will provide important information about those risks and explain the procedures it uses to detect and evaluate them(EUR-Lex,2017).

Disclosures should contain important information on supplier and subcontracting chains when appropriate and relevant. They should also contain crucial details on how a business controls and reduces its main risks.

Any significant changes to a company's primary risks or to how it manages them during the reporting year must be noted and justified (EUR-Lex,2017)

Example and KPIs

A business can think about including particular disclosures on the following: defective items that could endanger consumers' safety; procedures put in place to address the problem; and corrective actions taking care of consumers already harmed by such products. (EUR-Lex,2017)

Where applicable, further information regarding amounts reported in the annual financial statements should also be included in the non-financial statement. In exceptional cases, Member States may allow information about impending developments or topics under negotiation to be withheld if members of the administrative, management, and supervisory bodies acting within the framework of their respective national laws and bearing collective responsibility for that opinion determine that disclosing such information would materially harm the undertaking's commercial position. When requiring the publication of the information listed in the first subparagraph, Member States may provide that undertakings may rely on national, Union-based, or international frameworks; if they do, undertakings shall specify which frameworks they have used. (EUR-Lex, 2014).

Amendment of Article 20

The sentence 1 now includes the following point:

a summary of the diversity policy as it relates to the administrative, management, and supervisory bodies of the undertaking in terms of variables like age, gender, or professional and educational backgrounds, as well as the objectives of the policy, its implementation, and the results during the reporting period." Should such a policy not be adhered to, the statement must provide an explanation. (EUR-Lex,2014).

Article 29a
Consolidated non-financial statement

The consolidated management report of public-interest entities that are parent undertakings of large groups that employ more than 500 people on average during a given financial year must include a consolidated non-financial statement that includes information that is necessary to comprehend the group's performance, development, position, and the impact of its activities, as a minimum,

a) An overview of the group's business strategy;

(b) an explanation of the group's policies in relation to those issues, including the due diligence procedures used;

(c) how those policies turned out;

(d) the main risks relating to those matters linked to the group's operations, including, where relevant and proportionate, its business relationships, products, or services which are likely to cause adverse impacts in those areas.
e) Non-financial key performance indicators pertinent to the specific business;

If the group chooses not to pursue policies with regard to one or more of those issues, the consolidated non-financial statement must include a concise and convincing justification.
A reference to and further explanations of amounts reported in the consolidated financial statements must also be included in the consolidated non-financial statement mentioned in the first sentence, as necessary (EUR-Lex, 2014).

Article 33, paragraph 1 is amended as follows: (1) Member States shall guarantee that the administrative, management, and supervisory bodies of an undertaking shall jointly be responsible for ensuring that: (a) the yearly financial statements, the management report, the corporate governance statement when supplied separately, and the report referred to in Article 19a(4); and the report referred to in Article 29a(4), the consolidated financial statements, the consolidated management reports, and the consolidated corporate governance statement when supplied separately, are prepared and published in compliance with the requirements of this Directive and, where applicable, the global accounting standards established under Regulation (EC) No. 1606/2002.

Before the final paragraph of Article 48, the following sentence is added:

According to the report, taking into account developments in the OECD and the results of related European initiatives, the possibility of introducing an obligation requiring large undertakings to produce on an annual basis a country-by-country report for each Member State and third country in which they operate, containing information on, at the very least, profits made, taxes paid on profits, and public subsidies received, shall also be considered. (EUR-Lex,2014)

8.Guidelines for reporting non-financial information

8.1.Introduction

The European Parliament and the Council's Directive 2014/95/EU on the publication of non-financial and diversity information by specific major undertakings and organisations (the "Directive") became effective on December 6, 2014. This Directive modifies Directive 2013/34/EU on certain types of undertakings' annual financial statements, consolidated accounts, and related reports. Companies in question will begin implementing the Directive in 2018 on data pertaining to the 2017 fiscal year (EUR-Lex, 2017).

Companies are anticipated to perform better in both financial and non-financial dimensions as a result of increased openness. This will eventually result in stronger employment growth and a rise in stakeholder trust, including that of consumers and investors. Longer-term investment is consistent with transparent corporate management.

Since it would be more costly and detrimental to require smaller and medium-sized enterprises to comply with the disclosure requirements for non-financial information, some large organizations with more than 500 employees are subject to them. The administrative load is reduced by using this tactic. Rather of providing an exhaustive, in-depth report, businesses should provide relevant, useful data that is needed to comprehend their growth, effectiveness, standing, and the results of their operations. Moreover, disclosures may be made at the group level instead of by each affiliate within a group. Additionally, the Directive gives companies a considerable lot of flexibility in how they choose to communicate relevant information, including by using various reports. Companies may rely on national, international, or EU-based frameworks. (EUR-Lex, 2017).

An important component of enabling sustainable finance is appropriate non-financial disclosure. On October 28, 2016, the European Commission made the decision to form a High Level Expert Group on Sustainable Finance. This advances the Commission's objective to create an all-encompassing and thorough EU sustainable finance policy as part of the Capital Markets Union. (EUR-Lex, 2017)

UN Sustainable Development Goals and the Paris Agreement

The European Commission released a communication on "The next steps for a sustainable European future" on November 22, 2016, in response to the global 2030

Agenda that the United Nations General Assembly endorsed in September 2015. The Sustainable Development Goals, such as Goal 12 on ensuring sustainable consumption and production patterns and Goal 5 on achieving gender equality and empowering all women and girls, are significantly aided by the disclosure obligations resulting from the Directive.

In particular, improved openness is anticipated to result in financial flows that are more consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, which contributes to the implementation of the Paris Climate Agreement (EUR-Lex, 2017) .

Financial Stability Board

The Financial Stability Board (FSB) created an industry-led Task Force in December 2015 to develop proposals for voluntary climate-related financial risk disclosures at the request of the G20 Finance Ministers and Central Bank Governors. This is an addition to the G20 Green Finance Study Group's work.

These recommendations were carefully analyzed and, to the greatest extent feasible, took into account the work of the Task Force . The Task Force's suggestions mostly relate to areas that the Directive has already highlighted, such as governance, strategy, risk management, and measurement. (EUR-Lex,2017)

The non-binding guidelines

Regarding "guidance on reporting," Article 2 of the Directive states that "the Commission shall prepare non-binding guidelines on methodology for reporting non-financial information, including non-financial KPIs, with a view to facilitating relevant, useful, and comparable disclosure of non-financial information by undertakings. According to the Directive's Recital 17, "the Commission should take into account current best practices, international developments, and the outcomes of related Union initiatives" when creating the non-binding guidelines. (EUR-Lex,2017)

Regardless, businesses may opt to adopt well-known, excellent reporting platforms, either partially or fully compliant. They may rely on global, EU-based, or national frameworks; if so, they must name the framework or frameworks in question.

The Commission urges businesses to take use of the Directive's flexibility when sharing non-financial information. The standards are not meant to prevent new reporting techniques from emerging (EUR-Lex,2017) .

8.2.The aim of the guidelines

In order to promote resilient and sustainable growth and employment as well as transparency to stakeholders, these guidelines are meant to help businesses disclose high-quality, pertinent, useful, consistent, and more comparable non-financial (environmental, social, and governance-related) information. The reporting requirements of the Directive are followed in making these non-binding recommendations. They are intended to help companies create non-financial statements that meet the Directive's requirements by being relevant, meaningful, and concise. Care has been taken to prevent needless administrative work, boilerplate disclosures, or a straightforward check-the-box activity.
According to Article 2 of Directive 2014/95/EU on disclosure of non-financial and diversity information by certain major corporations, these non-binding guidelines emphasize relevant, helpful, and comparable non-financial information.

The companies obligated by the Directive to provide non-financial information in their management report are the target audience for this advice. The non-binding rules, however, might serve as industry best practices for all businesses that disclose non-financial information, including those beyond the Directive's purview.

These recommendations were created by the European Commission in order to create a system based on principles that is applicable to businesses in all economic sectors and that aids in their disclosure of pertinent, valuable, and comparable non-financial information. The Commission has done this while taking into account industry best practices, pertinent advancements, and the outcomes of linked activities both within the EU and internationally.

These recommendations are presented within the framework of the management report. However, Article 1 of the Directive allows for a different format of the non-financial statement.

The purpose is to give organizations with flexible, fair guidelines on how to report non-financial information in a way that will enable them to consistently and coherently disclose material information. These recommendations should help to the greatest extent feasible ensure comparability between businesses and industries.

This method acknowledges the wide range of businesses and industries involved, as well as the situations that firms need to convey in their reporting. There have been significant efforts made to stay away from a prescriptive methodology and a "one size fits all" approach.
The standards acknowledge the significance of information connection, whether it is between various non-financial informational components or financial ones(EUR-Lex,2017).

9.Essential guidelines for publishing non-financial information

9.1.Disclose of material information

The rules outline the fundamental ideas behind reporting non-financial information. These guidelines follow from the fundamental premise that the management report must include a non-financial statement with information sufficient to comprehend the undertaking's growth, performance, position, and impact of its activity (3.1 point of the Guidelines). It is expected that preparers, auditors, and users of financial information are already familiar with the idea of materiality.
A corporation can identify important concerns and determine what information is relevant by having a good understanding of the essential elements of its value chain. Businesses may report on a variety of potential problems. Based on its judgment of how crucial that information is to comprehending its development, performance, and other factors, a corporation determines whether information is material. This materiality assessment should take into account internal and external factors.
When determining the relevance of information, a variety of variables may be taken into consideration. Business model, strategy, and key risks are a few of them. Relevant factors include the company's objectives, strategies, management style and procedures, values, tangible and intangible assets, value chain, and key hazards. Others are:

- Key sectoral problems. (Similar problems are probably important to businesses that share supply chains or operate in the same industry. Topics already identified by rival businesses, clients, or suppliers are probably pertinent for a company.

- The expectations and interests of important stakeholders. Companies are anticipated to interact with pertinent stakeholders and try to fully comprehend their goals and issues.

- The results of the actions. (Companies are expected to take into account the frequency and severity of consequences, both actual and anticipated. This comprises the effects of products, services, and their business relationships, including supply chain aspects).
- Public policy and regulatory drivers. (Public policies and regulation may have an impact on the specific circumstances of a company, and may influence materiality) (Kamiński, 2020)

9.2.Content

Companies are required to fairly, evenly, and completely select the precise thematic features and important information to include in their disclosures, including through interacting with the appropriate stakeholders.The non-financial statement contains linked information. Results, for instance, take into account a firm's unique circumstances, risks, and how well it manages those risks in addition to what the organization does (through its business model, policies, and plans). The report's quality is raised by outlining important connections and dependencies. Companies should consider the requirements on protecting personal data while creating the non-financial statement (EUR-Lex,2017) .

According to the Guidelines' 3.2 point, non-financial statements must take both positive and negative factors into account fairly, and they must evaluate and present information objectively. Therefore, it should take into account all pertinent stakeholders' information needs as well as all current and trustworthy inputs. Users of information shouldn't be deceived by major misstatements, by leaving out important details, or by revealing irrelevant details. The Directive specifically states that material information on certain types of issues should be given with the outmost care. These include: **1.** Environmental, social and employee matters , **2.** Respect for human rights **3.** Anti-corruption and bribery matters. (Kamiński, 2020)

It is expected that non-financial information will make it possible to gain understanding of a company's business model, strategy, and how it is being implemented, as well as to clarify the short-, medium-, and long-term ramifications of the information supplied. A corporation may assist investors and other stakeholders in placing its performance into perspective by revealing targets, benchmarks, and promises. This could be beneficial when analyzing potential outcomes. External oversight of pledges and target-related progress encourages more openness with stakeholders. Both qualitative and quantitative presentation options are available for targets and benchmarks. Companies may, where necessary, give pertinent information based on scenarios supported by science (3.4 of the Guidelines). (Kamiński, 2020)

The Guidelines must coordinate with the other components of the management report. The non-financial report's substance need to remain constant over time. This enables users of information to relate trustworthily to forward-looking information and evaluate and compare previous and present changes in a company's development, position, performance, and effect. To guarantee that the non-financial statement is clear and credible, consistency in the selection and methodology of key performance indicators is crucial. Updates might be required, though, as key performance indicators could become dated or new, more effective approaches could be created that boost the quality of the data. Companies are required to explain any modifications to reporting policies or methodologies, the motivations behind them, and the results of the changes (for instance, by restating historical data, clearly demonstrating the impact of changing reporting policies or methodologies) (3.6 point of the Guidelines) (Kamiński, 2020)

According to Article 1 of the Directive, the non-financial statement must include the following data: non-financial key performance indicators pertinent to the specific firm;

Key performance indicators (KPIs), also known as material narratives and indicator-based disclosures, should be included in the non-financial statement.

Businesses are expected to disclose KPIs that are pertinent to their particular situation. The KPIs must to be in line with the measurements the business actually employs in its internal management and risk assessment procedures. This increases openness and makes the disclosures more valuable and pertinent. Comparability may be enhanced by the disclosure of high-quality, commonly accepted KPIs, particularly for businesses operating in the same industry or value chain (e.g., metrics that are often used in the sector or for certain theme issues).

KPIs that are required to comprehend a company's development, performance, position, and influence of its activities should be disclosed. Some KPIs could be helpful for a number of businesses and business situations. Other KPIs are more focused on the problems and conditions unique to a certain industry. Companies are urged to share significant KPIs, both sectoral and general. Companies are obliged to present a fair and balanced assessment by employing generic, sectoral, and company-specific KPIs, taking into account their unique circumstances as well as the information needs of investors and other stakeholders.

Users of information typically place a high value on quantitative data because it enables them to assess consistency through time, gauge progress, and make comparisons. The non-financial statement is easier to understand when KPIs are explained in context.

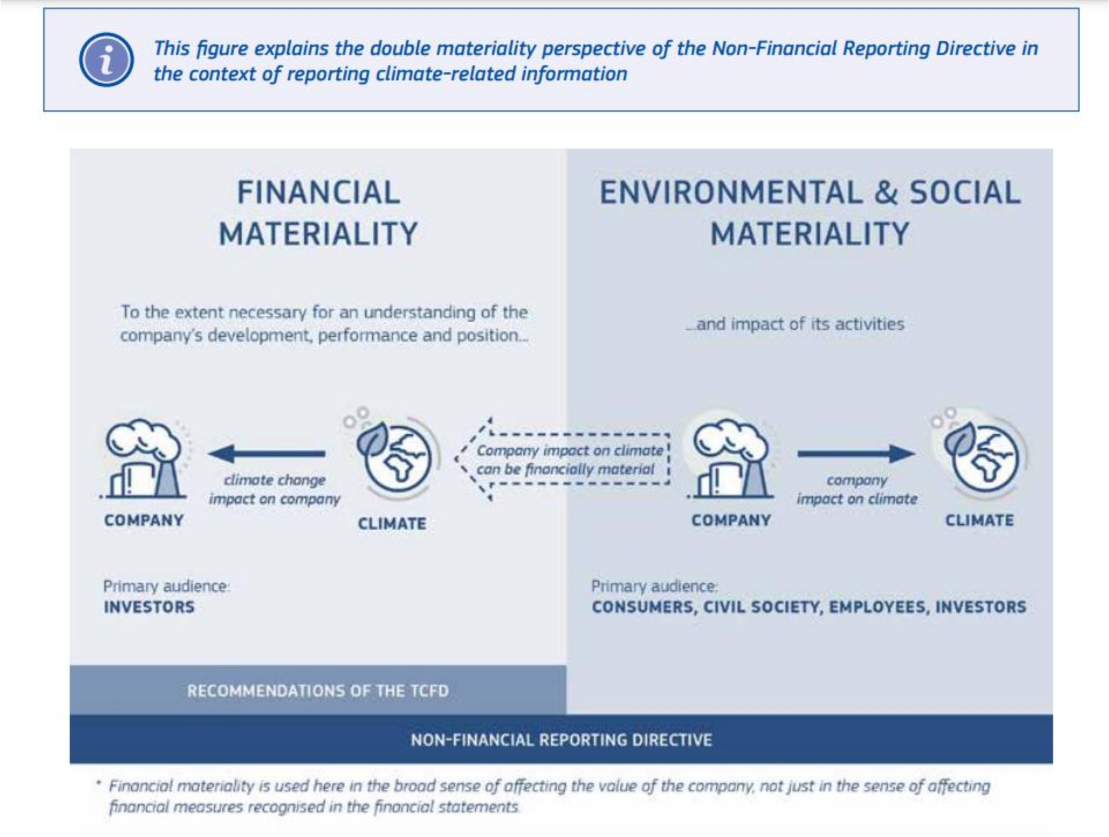
KPIs are seen as useful tools for creating links between qualitative and quantitative data. They make it possible for businesses to present a fair and complete picture in a direct and efficient way.

In order to deliver accurate data on development and trends, KPIs should be applied consistently from one reporting period to the next. Of course, over time, for commercial or technological reasons, the KPIs reported may change. Companies in these situations ought to give an explanation for why KPIs changed. They might think about clearing previous data as necessary and describing the effects of these changes succinctly and effectively (EUR-Lex,2017) .

Companies can provide information about data collecting, technique, and the frameworks used. They might also include an analysis of the KPIs disclosed, elaborating on factors such as why some KPIs rose or fell over the reporting year and potential future developments. Companies may, if appropriate, provide KPIs in the context of goals, prior performance, and comparison to other businesses. (EUR-Lex,2017) .

The diversity policy should be included in their corporate governance statement as important non-financial information that should be provided. The non-financial statement does not provide a summary of the board's diversity policy. Therefore, the requirement to report material diversity information as part of the non-financial statement (6 point of the standards) is not affected by this portion of the standards. Large listed companies are required by Article 1 of Directive 2014/95/EU to include the following information in their corporate governance statement: "a description of the diversity policy applied to the undertaking's administrative, management, and supervisory bodies with regard to aspects such as, for example, age, gender, educational background, and professional backgrounds, the objectives of that diversity policy, how it has been implemented, and the results of the undertaking's compliance with the policy." The statement must include an explanation of why such a policy is not being followed. The diversity policy's description should make clear which diversity criteria are used and why they were selected. To guarantee that the board has the knowledge and enough diversity of viewpoints to adequately grasp current situations as well as longer-term dangers and opportunities related to the company's operations, all pertinent diversity factors should be taken into account while choosing these criteria. When determining the profiles required for ideal board diversity, the type and complexity of the company's operation as well as the social and environmental context in which it works should be taken into consideration. In general, the diversity aspects ought to include things like age, gender, or professional and educational backgrounds. It is also appropriate to include geographic provenance, international experience, expertise in pertinent sustainability matters, employee representation, and other aspects, such as the socioeconomic background, where pertinent due to the company's geographic presence and the industry in which it operates.(Kamiński,2020)

It appears that the Guidelines' demands placed on the non-financial reporting are fully warranted. It goes without saying that the information must be presented in an orderly, equitable, and helpful manner in order for the non-financial reporting of its duties to be properly fulfilled. Users with a particular level of business understanding should be able to grasp the information offered in the non-financial statements. When information is given simply and plainly, comprehension is secured. This does not imply, however, that non-financial statements may exclude information that is important to or relevant to decision-making but may be challenging for the typical user to understand. When reporting information has the potential to affect consumers' economic choices, it is valuable. The other features of the information, especially relevancy, determine how beneficial it is. Information is relevant if it can influence how the company's business processes are evaluated and enhance the accuracy of the projections the user of the financial statements makes. By streamlining registration-related issues that are irrelevant from the perspective of the decisions I made, the condition that information be relevant is met. (Kamiński, 2020)



This figure explains the double materiality perspective of the Non-Financial Reporting Directive in the context of reporting climate-related information

FINANCIAL MATERIALITY
To the extent necessary for an understanding of the company's development, performance and position...
ENVIRONMENTAL & SOCIAL MATERIALITY
...and impact of its activities
COMPANY
climate change impact on company
CLIMATE
Company impact on climate can be financially material
COMPANY
company impact on climate
CLIMATE
Primary audience: INVESTORS
Primary audience: CONSUMERS, CIVIL SOCIETY, EMPLOYEES, INVESTORS
RECOMMENDATIONS OF THE TCFD
NON-FINANCIAL REPORTING DIRECTIVE

* *Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements*

Figure 1: Source: European Commission (2019). *Overview of the new guidelines on reporting climate-related information.* Available at: https://finance.ec.europa.eu/system/files/2019-06/190618-climate-related-information-reporting-guidelines-overview_en.pdf

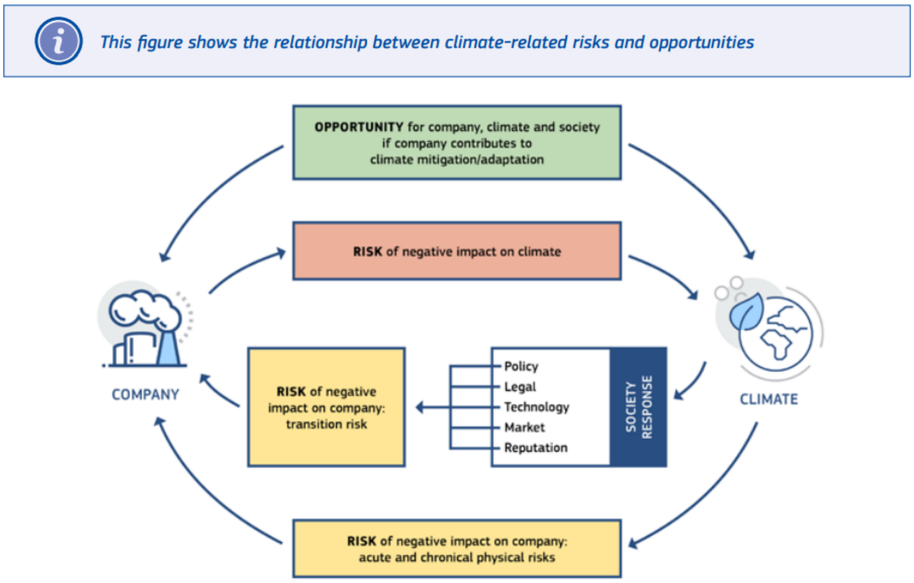

This figure shows the relationship between climate-related risks and opportunities
OPPORTUNITY for company, climate and society if company contributes to climate mitigation/adaptation
RISK of negative impact on climate
COMPANY
CLIMATE
RISK of negative impact on company: transition risk
Policy
Legal
Technology
Market
Reputation
SOCIETY RESPONSE
RISK of negative impact on company: acute and chronical physical risks

Figure 2: Source: European Commission (2019). *Overview of the new guidelines on reporting climate-related information.* Available at: https://finance.ec.europa.eu/system/files/2019-06/190618-climate-related-information-reporting-guidelines-overview_en.pdf

9.3.Conclusions/ Evaluation of the EU Directives and the guidelines

Researchers and reporting organizations have recognized the necessity to standardize non-financial reporting in order to ensure its transparency and clarity. This is also proof of the care taken over ensuring strong interactions with stakeholders, who receive standardized data, in their opinion, and the reports should be clear, transparent, and comparable, allowing stakeholders to fully satisfy their information needs. The Directive 2014/95/EU regulations are a step in the right direction because they will make reporting non-financial information more transparent and useful while also helping to standardize the requirements for doing so. Since organizations could rely on different norms and guidelines, a lack of precise restrictions would make them difficult to compare. As a result, this Directive "fills a regulatory gap" and enhances the value of the data produced by organizations required to make non-financial reports. The European Union's dedication to promoting corporate transparency and sustainability is demonstrated by this Directive, which encourages smart, sustainable, and equitable growth and paves the road for a sustainable global economy. It represents a new "paradigm" in enterprise reporting, in a sense. (Kamiński, 2020)

It is acknowledged that a balanced approach to financial and non-financial information provides a more complete picture that enables investors and other stakeholders to better understand how company value is created and managed. This is due to the reporting system's responsibility to provide the set of information needed in the modern market economy. The EU holds the same opinion, arguing that greater transparency will boost the long-term performance of the major EU corporations, increase Europe's competitiveness, and lead to the creation of more jobs. Any good change, however, will only be limited because the Directive is only applicable to large corporations and rely on a number of existing rules that prioritize environmental concerns over social ones. However, it is undisputable that transparency leads to better performance. Over time, all businesses that share information on social and environmental issues benefit significantly. By following these recommendations, businesses will be better equipped to incorporate relevant environmental and social data into their daily operations, innovate and modify their reporting to suit their unique business needs, and depend as appropriately on other reporting frameworks. Particularly, the initial impacts of the Directive shown that these advantages included lower finance costs, more customer loyalty, and improved stakeholder relations. Everybody agrees that wise business and investing decisions have far higher success rates. A more informed and effective decision-making process will be advantageous to investors, lenders, and other stakeholders.

Additionally, it appears that businesses addressing environmental and social concerns in a more efficient and accountable manner will benefit society as a whole. The guidelines will help businesses through this procedure. They are created to be practical, business-oriented, and impact-driven and are founded on principles to assist organizations in all industries. The latest international developments and best practices, including the lessons learned from the Paris Climate Agreement and the UN Sustainable Development Goals, are reflected in new EU standards. (Kamiński, 2020)

10.Reports on the creation of sustainability reporting guidelines inside the EU

These reports, which were created at the Commission's request after the Economic and Financial Affairs Council extended an invitation, mark a significant advancement in the development of corporate sustainability reporting across the EU. Both studies acknowledge how crucial it is to coordinate the creation of EU sustainability reporting standards with ongoing and future international projects. In order to fulfill the political aspirations and pressing deadline of the European Green Deal, EU sustainability requirements are required. Additionally, they are required to ensure compliance with the requirements of upcoming legislation on sustainable corporate governance and due diligence. These rules are at the core of the EU's sustainable finance agenda and include the Non-Financial Reporting Directive (NFRD), the Taxonomy Regulation, and the Sustainable Finance Disclosure Regulation(European Commission,2021)

A development schedule for a complete set of EU sustainability reporting requirements is put forth in the **first report**. A multi-stakeholder task force led by the European Financial Reporting Advisory Group (EFRAG) created it to write the report(European Commission,2021).

In order to ensure that future EU sustainability reporting standards are produced utilizing an inclusive and thorough approach, **a second report** makes recommendations for changes to EFRAG's governance structure. It outlines, for instance, how national and European authorities will participate while making sure the process also makes use of the private sector's and civil society's experience. (European Commission,2021)

11.Scope and goals of the Directive

11.1. A Corporate Sustainability Reporting Directive is being proposed (CSRD)

The NFRD's reporting standards would be changed by the Corporate Sustainability Reporting Directive (CSRD), which was proposed by the Commission. The suggestion:

-enlarges the scope to include all major corporations and all listed companies on regulated markets, with the exception of listed micro-enterprises.

-necessitates the verification (audit) of reported data

-sets more stringent reporting rules, including a mandate to report in accordance with statutory EU sustainability reporting guidelines.

-compels businesses to electronically "tag" reported information so that it may be accessed by machines and sent into the European single access point envisioned in the capital markets union action plan. (European Commission, 2021)

11.2.Why was the Non-Financial Reporting Directive (NFRD) had to be revised?

Important standards were established by the Non-Financial Reporting Directive for some large companies to adhere to when reporting sustainability statistics annually. It adopted a "double materiality perspective," which mandates that companies reveal how sustainability issues affect their business in addition to their own impact on people and the environment.

However, there is ample evidence that the information that companies report is inadequate. Reports usually omit information that stakeholders and investors feel is important. Because reported information might be difficult to compare between organizations, users of the information commonly question their ability to trust it. Problems with the quality of sustainability reporting have a domino effect. Consequently, investors are not provided with a reliable image of the risks associated with sustainability that companies encounter.

Investors are becoming more and more dependent on information on how businesses affect society and the environment. They need to be aware of this in order to comply with the Sustainable Finance Disclosure Regulation's disclosure requirements for themselves. In general, investors must be aware of the sustainability impact of the companies they invest in if the market for green investments is to be taken seriously. Money cannot be directed towards ecologically friendly activities without this knowledge.

Finally, poor reporting standards result in a lack of accountability. High-quality and trustworthy public reporting by businesses will contribute to the development of a culture of increased public accountability. (European Commission,2021)

11.3.Scope of the Directive

According to the Non-Financial Reporting Directive, listed corporations, banks, and insurance firms are considered "public interest entities" for the purposes of the reporting regulations. The regulations apply to big businesses that employ more than 500 people and are not SMEs as defined by the Accounting Directive. In other words, the NFRD only applied to around 11.000 businesses.

The Commission observed that numerous stakeholders support expanding reporting requirements to more types of enterprises after conducting consultations with them. With today's plan, the 500-employee threshold will no longer apply, and the regulations will now apply to all major businesses, whether or not they are publicly traded. This modification would make all large businesses publicly accountable for their effects on people and the environment. It also complies with investor requests for such corporations to provide sustainability information.

With the exclusion of listed micro-enterprises, the Commission is also proposing to broaden the scope to cover listed SMEs. Investors must have access to sufficient sustainability information from listed firms in order to defend their interests. Additionally, listed SMEs run the danger of being dropped from investment portfolios if they fail to disclose sustainability data. As sustainability data becomes more vital to the financial sector as a whole, this risk will increase.

With the exception of SMEs that have securities listed on regulated markets, the proposal would not impose any new reporting requirements on small businesses. In order to lessen the burden on listed SMEs, they will also be permitted to report in accordance with standards that are less stringent than those that will be used for large corporations. Additionally, SMEs having transferable securities listed on MTFs or SME development markets would not be subject to the reporting requirements of this proposal.

Despite this, a lot of SMEs are getting more demands for sustainability data, usually from banks who give them money and big businesses that they do business with. Collecting and disseminating sustainability data will probably become standard business practice for organizations of all sizes as we move toward a sustainable economy. Therefore, the Commission is proposing the creation of distinct, proportionate criteria for SMEs in addition to the new regulations for large enterprises that are being presented today. These more straightforward standards could be used by SMEs that are not listed on regulated marketplaces to voluntarily comply with their legal reporting obligations. These requirements would be cautiously modified to fit the capabilities of SMEs. They would simplify the reporting of information to banks by SMEs, large - company clients and other stakeholders. (European Commission,2021)

This effort strives to make sure that businesses that users need to obtain non-financial information from report such information and that the information is accessible, comparable, relevant, and credible. Additionally, it tries to lower unneeded expenses for preparers. It will mobilize private capital in support of the European Green Deal by enabling investors to more accurately assess the sustainability risks and impacts of investments. By allowing investors to obtain comparable non-financial information from investee companies throughout the EU, it aids in the completion of the Capital Markets Union. By holding businesses more responsible for their effects on people and the environment, it will also strengthen the social compact that exists between them and society. (EUR-Lex, 2021)

The political agreement on the Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD) that was reached between the European Parliament and the Council is welcomed by the Commission. The new Directive, which is an essential component of the European Green Deal and the EU's sustainable finance strategy, will modernize and improve the regulations governing the kinds of social and environmental information that businesses are required to provide. Now, a wider range of large businesses must report on sustainability, in addition to listed SMEs. The new rules will ensure that investors and stakeholders can obtain the information required to assess the risks of investing in climate change and other sustainability-related issues. They will also promote transparency about how companies impact the environment and the public. Lastly, medium- to long-term reporting expenses for firms would be reduced by unifying the information required to be submitted. *Mairead **McGuinness**, Commissioner for Financial Services, Financial Stability and Capital Markets Union, said: "This is a landmark in the development of company reporting, a significant step forward in the area of disclosures, covering many sectors of the economy. Sustainability reporting will now be on an equal footing with financial reporting. The Corporate Sustainability Reporting Directive will help drive the transition to a sustainable economic system built on innovation and investment opportunities. It will enable companies to communicate and manage their sustainability performance more efficiently. Citizens will be able to measure the success of companies not just in financial terms but also assess how they impact people and the environment."* The core of the Directive will be mandatory European sustainability reporting, which is presently being developed by the European Financial Reporting Advisory Group (EFRAG). The CSRD will modify the current requirements of the non-financial reporting Directive (NFRD). The obligations for reporting will be progressively imposed on different kinds of businesses. Listed SMEs will only have to file reports beginning in 2026; after that, they can choose to opt out until 2028. The first companies will have to abide by the new rules for reports that are published in 2025 starting in the fiscal year 2024(European Commission, 2022).

These new EU sustainability reporting criteria will be created, how, and by whom?

These proposed standards will be created by the European Financial Reporting Advisory Group (EFRAG). EFRAG is a private organization founded in 2001 with support from the Commission to further the common good. EFRAG, which is primarily funded by the EU and operates under a public-private partnership model, advises the Commission on the incorporation of international financial reporting standards into EU law.

The Commission will contact the Member States Expert Group on Sustainable Finance and seek advice from the European Securities and Markets Authority before establishing any standards. Additionally, it will consult with the European Central Bank, the Committee of European Auditing Oversight Bodies, the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Environment Agency, the European Union Agency for Fundamental Rights, and the Platform on Sustainable Finance. These discussions will help to ensure that the standards' content is broadly agreed upon and that it is consistent with pertinent EU laws and regulations. (European Commission, 2021)

12.Results/effects of the Directive

12.1.Introduction

The European Union's actual involvement in enhancing business transparency and promoting the thoughtful and sustainable economic and social development of companies operating in member states is demonstrated by Directive 2014/95/EU. The Directive has led to a "positive paradigm shift" in corporate reporting by raising the number and quality of non-financial reporting (Spießhofer, B., & Eccles, R.G., 2014 cited in Kamiński, 2020).

The provisions of Directive 2014/EU/95 do not place any legally binding obligations on businesses to adhere to the principles of sustainable development, but the existence of a disclosure obligation may lead to better outcomes in terms of environmental protection or social objectives. The limitations of Directive 2014/EU/95's subjective reach (it only applies to large firms) and the fact that different reporting systems and standards are permitted make it difficult to compare reported information.

Studies confirmed that when businesses report their accomplishments, the information provided frequently leaves many important questions about their sustainable development unanswered. Both too much and too little pertinent information was frequently disclosed. It must be noted that the question of information's materiality is crucial when reporting non-financial information. The guidelines in Directive 2014/95/EU do not offer a clear solution to this problem. They merely suggest that information should be shared to the amount required to comprehend the company's progress. (Kamiński, 2020)

The comparability of non-financial information and the coherence of the company's perception as molded by this information must be attained. The principles of flexibility in non-financial reporting, which are the foundation of the currently in force legislation on non-financial reporting, do not sufficiently ensure comparability and uniformity of reporting information.

Studies demonstrated the shortcomings of the attestation practice. This is so that non-financial reports do not require attestation. As is obvious, the majority of management boards of businesses did not review the reports written largely with a view to cost reduction. Unfortunately, this reduced the reports' quality and, hence, their value. The employment of different attestation standards is a further issue. (Kamiński, 2020)

Large-scale enterprises predominated among the businesses that prepared non-financial reports on sustainable development, which is another finding of the study. This lack of experience is especially evident when it comes to stakeholders who represent communities interested in the sustainable development of the economy and the environment in which they live. As might be imagined, this predicament is a result of the diversification of information requirements placed on businesses of all sizes. In comparison to larger businesses, smaller and medium-sized ones have fewer responsibilities in this area. In this respect, it is important to note that the former frequently participate in broad supply networks and value chains, meaning that the aggregate effects of their operations on society and the environment are comparable to those of major corporations(Kamiński, 2020).

The problem with the practice of reporting sustainable development by businesses is that most organizations treat this activity in a formal manner as satisfying information requirements rather than seeing it as a chance to improve their competitive position. This incident demonstrates how many management boards of corporations lack an understanding of the concept of sustainable development and are instead driven primarily by concern for the specific interests of the corporation in the conventional sense.

12.2.What results does the new directive bring?

12.2.1.Audit

A general EU-wide audit (assurance) requirement for reported sustainability information would be introduced for the first time under the proposal. This will aid in ensuring the reliability and accuracy of the information being reported. It should go a long way toward assuaging investors' and other stakeholders' concerns about the veracity of the sustainability data that businesses currently report.

A progressive strategy is required even if the goal is to have a comparable degree of certainty for financial and sustainability reporting. The Commission is recommending that the initial assurance requirement be "limited." This provides a major improvement over the current state of affairs while deferring for the time being a "reasonable" assurance criterion (a more stringent, demanding level). A reduced assurance need is less expensive for businesses and more in line with the market for audit (assurance) services' present technical capabilities. In the lack of sustainability assurance standards, it is currently difficult to provide reasonable assurance of sustainability reporting. As a result, the proposal offers the Commission the option to establish such standards. The legal need would immediately change from limited assurance to reasonable assurance if the Commission were to establish sustainability assurance criteria.

The Commission's proposal enables Member States to grant so-called "independent assurance services providers" access to the market for sustainability assurance services. This implies that Member States may decide to permit organizations other than the typical financial information auditors to vouch for sustainability information (European Commission,2021).

12.2.2. Digitalization

The proposal from the Commission foresees the growing digitization of sustainability data. With time, this tendency may lead to lower reporting costs for businesses as well as significant advancements in the comparability and use of reported data by investors and other stakeholders. The proposal would specifically require businesses to comply with the ESEF Regulation by preparing their financial statements and management reports in XHTML format and to "tag" their reported sustainability information in accordance with a digital categorization system as and when specified in that Regulation. The sustainability reporting requirements would be established in tandem with this digital categorization system.

As a result, the European Single Access Point envisioned in the Capital Markets Union Action Plan for which the Commission will submit a proposal later this year would be able to seamlessly incorporate sustainability information. The digitalization of sustainability reporting by businesses aligns with the Digital Finance Strategy, which attempts to improve data availability and reuse in the financial industry (European Commission,2021).

12.2.3.Costs

Costs: Will this idea result in higher expenses for businesses?

In the medium to long term, the Commission's plan seeks to lower reporting expenses for businesses. The majority of companies will experience an increase in expenses due to the increased demand from investors and other stakeholders for corporate sustainability information, even though the proposed CSRD would entail additional costs in the short term for companies subject to its criteria. Multiple overlapping standards and frameworks, as well as uneven information requests from investors and other stakeholders, compound this issue. The Commission's proposal offers a chance for an organized, economical solution to the issues brought on by this rise in demand, based on reaching agreement on the crucial information that businesses should give (European Commission,2021).

The preferred alternative for preparers is anticipated to cost a total of EUR 1 200 million in one-time charges and EUR 3 600 million in annual recurring costs. Costs for preparers are anticipated to rise significantly even if the EU does nothing because of the rise in uncoordinated information requests from users, the ongoing lack of agreement on the information that businesses should report in order to satisfy users' needs, and the ongoing challenges in obtaining the non-financial information preparers require for reporting purposes from suppliers, clients, and investee companies. In the absence of new regulations, it is hard to estimate the costs for preparers due to the lack of adequately specific data.

However, if standards eliminate the need for additional information requests, it is predicted that their use could result in annual cost savings of EUR 24 200–41 700 per company (roughly EUR 280–490 million for the current NFRD population and EUR 1 200–2 000 million for the preferred option). The chosen course of action does not significantly harm society, the environment, or fundamental rights (EUR-Lex,2021).

12.2.4.SMEs

How will this impact large corporations, SMEs, and small businesses?

Costs will go up overall for the affected businesses. But considering that better reporting increases businesses' understanding of sustainability-related risks and enhances risk management, the favored solution should also increase firm resilience. Since leaders in sustainability will be easier to spot, it should also benefit businesses that are more environmentally conscious. Except for listed SMEs, the reporting requirements would not apply to SMEs. However, SMEs will be given the option to employ streamlined reporting

On the other hand, SMEs will be given the option to utilize more straightforward reporting criteria. These will make it easier for SMEs to participate in the shift to a sustainable economy and be able to respond to information requests from banks and major enterprise clients (EUR-Lex,2021)

With the exception of SMEs that have securities listed on regulated markets, the proposal would not impose any new reporting requirements on small businesses. In order to lessen the burden on listed SMEs, they will also be permitted to report in accordance with standards that are less stringent than those that will be used for large corporations. Additionally, SMEs having transferable securities listed on MTFs or SME development markets would not be subject to the reporting requirements of this proposal.

Despite this, a lot of SMEs are getting more demands for sustainability data, usually from banks who give them money and big businesses that they do business with. Collecting and disseminating sustainability data will probably become standard business practice for organizations of all sizes as we move toward a sustainable economy. Therefore, the Commission is proposing the creation of distinct, proportionate criteria for SMEs in addition to the new regulations for large enterprises that are being presented today. These more straightforward standards could be used by SMEs that are not listed on regulated marketplaces to voluntarily comply with their legal reporting obligations. These requirements would be cautiously modified to fit the capabilities of SMEs.

They would simplify the reporting of information by SMEs to banks, clients who operate large businesses, and other stakeholders. They can support SMEs in fully participating in the shift to a sustainable economy. Furthermore, considering the financial challenges encountered by smaller businesses as a result of the COVID-19 pandemic, the requirements for listed SMEs would only apply three years after they apply to other businesses(European Commission,2021)

Will the national budgets and administrations be significantly impacted?

The expected implementation expenses for this effort will be EUR 35,5 million. On top of that, there will be an additional EUR 5 million in annual costs for the creation of digital ad hoc processes and the upkeep of digital registers. By focusing enforcement efforts on non-financial reporting, Member States may potentially suffer some additional expenditures (EUR-Lex,2021)

Will there be any more notable effects?

Enterprises in the EU run the danger of paying more for reporting than enterprises outside the EU, which would hurt their ability to compete globally. While other countries are already introducing regulations or policy efforts in the area of sustainability-related disclosures, some multinational corporations are probably going to chose to voluntarily comply with the necessary EU criteria. Furthermore, if EU standards promote worldwide alignment and have an impact on potential future global standards, the competitiveness of EU enterprises is likely to be improved over the long term(EUR-Lex,2021).

12.2.5. Effects on EU companies

Benefits on EU companies regarding the Directive

Each company will have significant benefits over time by publishing transparent information on social and environmental issues, including improved performance, cheaper funding costs, fewer and less serious business disruptions, and stronger relationships with stakeholders and customers. A more educated and effective investment decision-making process will be advantageous to lenders and investors. Businesses that manage environmental and social concerns more efficiently and responsibly will benefit society as a whole (European Commission,2014)

This legislation will avoid undue administrative burden, in particular for small and medium-sized companies (SMEs). SMEs won't have to share their social and environmental data. This does not imply that greater transparency would not be advantageous to them. The same reasoning holds true for bigger businesses. Smaller businesses, however, might not have the necessary human resources, and information handling expenses might be proportionately higher. As a result, the administrative workload as a whole could be unduly heavy. This Directive won't by itself cause a significant administrative burden for smaller businesses. However, when firms of all sizes grow, they are likely to face demands for openness from their clients, staff, clients, investors, lenders, and other business partners and stakeholders. Numerous steps have been done to reduce the administrative load on larger businesses as well. For instance, the auditing requirements are restricted to an annual review, and the disclosure requirements may be satisfied once at the group level rather than by each affiliate in the group(European Commission,2014)

Based on influential human rights treatises, the CSRD controlling social questions is requesting that businesses adopt a vision that may have an impact on many different business operations, including hiring, personnel, and information collection, in addition to how businesses handle social justice concerns. We anticipate it to have a significant and enduring effect.

As a result, SMEs that conduct business with major corporations will be forced to take ESG issues into account and gather the relevant data.

Additionally, the CSRD's requirement for transparency has the power to influence change and lessen inequality. For instance, knowledge of the gender wage gap could help to lessen wage inequities by making them clear to all workers.

Researchers will surely benefit from the vast amounts of data created by the reporting requirements as they attempt to answer the question of what businesses can and are doing to help with significant societal challenges (Huysentruyt,2023)

How many businesses are going to have to comply with the new reporting requirements?

A delicate balance has been struck so that the advantages of more transparency are realized while avoiding any unnecessary administrative load, particularly for smaller businesses. Unambiguously, millions of SMEs in the EU will not be subject to any additional obligations.

Currently, over 2 500 significant EU corporations routinely provide environmental and social data. Approximately 6 000 major firms and groupings within the EU, or large public-interest entities with more than 500 employees, will be subject to the

Directive. Banks, insurance companies, and other businesses that are so recognized by Member States due to their operations, size, or employee count are examples of public-interest entities, along with some unlisted businesses (European Commission,2014)

Cost to EU companies

The price of making the necessary disclosures varies according to the information's worth and use as well as the scope and complexity of the company. Depending on both internal use and external visibility, it changes. Many businesses have come to understand the strategic importance of reporting on social and environmental issues for both their internal and external communications.

Despite the Commission's encouragement, the Directive does not mandate thorough reporting on social and environmental issues. Only the sharing of specific information regarding policies, results, and risks is mandated by the Directive. Large businesses are predicted to incur an additional direct cost of less than €5,000 per year, or less than €30 million on an EU basis(European Commission,2014)

12.2.6. The impact of the CSR Directive on the CSR initiatives of a company

In this part of this study, we will focus on our interest on whether companies, and especially the EU companies, within the scope of the SCR Directive on average increase CSR activities in response to the regulation based on the paper: : *“Real effects in anticipation of mandatory disclosures: Evidence from the European Union’s CSR Directive”*. (Fiechter, Hitz and Lehmann, 2019)

Through this paper, it can be concluded that firms within the scope of the regulation, choose to increase their CSR activities. This data suggests that, on average, EU companies have increased their CSR operations in anticipation of the CSR disclosure mandate. (Fiechter, Hitz and Lehmann, 2019)

In the studied paper, two non-overlapping binary indicators are used from the authors, one for EU companies who did not submit CSR reports previous to the regulation (EUnon-reporting) and one for EU companies that did (EUreporting).It has been discovered a significant and favorable coefficient for companies without CSR disclosures. The treatment effect has a large economic impact as well: CSR activities (CSR) for the typical EU non-reporting firm rise by 18.7% in comparison to the pre-directive level. In contrast, the coefficient for companies that report their CSR activities to the EU is negligible and considerably less in size than the coefficient for companies that do not. (Fiechter, Hitz and Lehmann, 2019)

This research implies that there are different motivations for businesses to increase their CSR efforts, and that these incentives are stronger for businesses facing higher increases in required CSR disclosures. The key reason why EU businesses enhance CSR initiatives in reaction to the CSR directive's adoption is mainly driven by firms that face a relatively large increase in CSR disclosures, i.e., firms that did not prepare CSR reports in the pre-directive period. (Fiechter, Hitz and Lehmann, 2019)

There are also results for the social (SOC) and environmental (ENV) subcategories respectively, activities. These results mainly support findings, which indicate that businesses enhance CSR operations in response to the CSR directive along both the social and the environmental dimension of the environment. The rise in social media usage is in line with the findings for overall CSR activity and environmental initiatives for businesses with more anticipated incentives (i.e.,lower degrees of pre-directive CSR disclosure). Additionally, findings demonstrate that compared to social activities, the effects of therapy on the economy are greater for environmental activities. (Fiechter, Hitz and Lehmann, 2019)

There are at least three different, non-exclusive reasons why businesses concentrate their strategy for anticipating stakeholder reactions on environmental operations. One reason is that some stakeholders, including customers, might be more sensitive to environmental concerns. The marginal costs (benefits) is the second - may be lower (higher) for environmental improvement than for social improvement. investing in the environmental dimension more worthwhile tasks. Lastly, businesses may believe that the standards of the CSR mandate for environmental disclosures are more strict specific, yielding more in-depth perceptions on businesses' environmental performance. (Fiechter, Hitz and Lehmann, 2019)

12.2.7.Effects on EU companies and the stakeholder reaction

Compliance with the CSR Directive, has also to do with a stakeholder’s reactions. Firstly, because some stakeholders are sensitive to a company’s CSR performance, so it is likely to react in a negative way towards the possible revelation of a low CSR performance. For instance, CSR-aware suppliers might not want to continue doing business with companies that have poor CSR performance. Similar to this, consumers may decide to buy fewer products or demand lower prices in response to information about poor CSR performance. As a result, businesses with poor CSR performance have much more incentives to do it before the disclosure rule takes effect. Therefore, we anticipate that non-reporting businesses with subpar CSR performance before to the EU directive will see an increase in CSR activities that is greater. (Fiechter, Hitz and Lehmann, 2019)

We anticipate that companies with significant product visibility will have more reputational issues with one specific stakeholder group, customers. According to Bénabou and Tirole (2010, cited in Fiechter, Hitz and Lehmann, 2019), people's decisions, particularly those of customers, are significantly influenced by the visibility of socially responsible investments. According to Bénabou and Tirole (2010, cited in Fiechter, Hitz and Lehmann, 2019), finished items, especially consumer goods, have greater visibility. Businesses using the "business-to-consumer" (B2C) business model are therefore probably more vulnerable to potential negative customer reactions. Therefore, we anticipate that non-reporting businesses in B2C industries will experience a greater increase in CSR activities following the adoption of the CSR rule. (Fiechter, Hitz and Lehmann, 2019)

According to these findings, companies with poor pre-directive CSR performance should strengthen their CSR efforts in an effort to mitigate any stakeholder backlash in the future when their CSR performance is more widely disclosed.
This result indicates that, as anticipated, businesses that directly influence consumer decisions have comparatively higher incentives to increase their CSR performance before being required to make CSR disclosures. (Fiechter, Hitz and Lehmann, 2019)

12.3.Summary

In order to predict stakeholder reactions to required disclosures regarding enterprises' CSR, an investigation into firms' investment choices was performed. We take advantage of a legislative framework in Europe, the CSR directive of the EU, to analyze this particular collection of genuine consequences. It was investigated if companies subject to the directive increase CSR activity prior to the first mandated disclosures in order to anticipate the disclosure mandate — and associated negative stakeholder reactions. It may be concluded that businesses increased their CSR efforts on average after the directive's 2014 passage, and that this effect is amplified by lower pre-directive CSR disclosure levels. Due to institutional characteristics at the country level (strength of audit and enforcement regulation, CSR orientation, NGO presence), as well as firm-level (low CSR performance, product market visibility), the increase in CSR activities is greater for firms with relatively higher exposure to potential stakeholder reactions. The expansion of CSR initiatives has also been shown to be favorably correlated with business incentives that are tailored to anticipation (e.g., higher predicted implementation strictness and longer investment horizon).

Therefore, in line with expectations of stakeholder responses, the findings point to a commercially significant influence of the CSR requirement on the CSR operations of affected EU enterprises. The findings, in particular, highlight the significance of stakeholders' influence on enterprises' CSR decisions as consumers of CSR disclosures. (Fiechter, Hitz and Lehmann, 2019)

13.Where are we today?

13.1.Directive (EU) 2022/2464 of the European Parliament and Council of December 14,2022 relating to corporate sustainability reporting, amending regulation (EU) No 537/2014, Directive 2044/109/EC, Directive 2006/43/EC, and Directive 2013/24/EU.

13.1.1.The most significant provisions of Directive EU 2022/2464

Directive (EU) 2022/2464 states that there is "ample evidence" that the information submitted by corporations is not sufficient after several years of companies reporting in accordance with Directive UE/95/2014. As part of the European Green Deal and 2020 Work Programme, the Commission committed to assessing current legislation and recommending their reform. Due to these efforts, the EU Council and Parliament passed Directive EU/2022/2464 on Corporate Sustainability Reporting in December 2022. (Kamiński,2023)

In order to better utilize the potential of the European Union in the transition to a fully sustainable and inclusive economic and financial system, in line with the European Green Deal and the UN Sustainable Development Goals, Directive EU/2022/2464 aims to improve the current requirements of the EU's Non-Financial Reporting Directive. The scope of required sustainability reporting has been expanded by Directive UE/2022/2464 to include all major corporations and all listed companies on regulated markets, with the exception of listed micro-enterprises. This implies that, regardless of whether they are publicly traded or not and without the prior 500 employee criterion, all large corporations would be compelled to comply with the new mandate sustainability reporting. Consequently, more large businesses, including listed SMEs, will now be compelled to report on sustainability matters – approximately 50000 corporations in whole. Undoubtedly, this will lead to greater transparency and availability of sustainability information. (Kamiński,2023)

This new directive updates and strengthens the criteria controlling the social and environmental data that enterprises must publish. The new rules will ensure that investors and stakeholders can obtain the information required to assess the risks of investing in climate change and other sustainability-related issues. They will also promote transparency about how companies impact the environment and the public. Lastly, it is expected that firms will eventually experience lower reporting costs as a result of harmonizing the information to be reported. The first firms will have to abide by the new requirements for the first time in the fiscal year 2024, for reports released in 2025. (Kamiński,2023)

Additionally, as part of the new regulation, businesses must audit the sustainability data they report. When the new directive is first put into practice, the audit requirement will constitute a requirement for limited assurance. Moving toward reasonable assurance is the goal. According to the proposal, Member States could enable "independent assurance services providers" access to the market for sustainability assurance services. Companies will be required to report information that is "necessary for an understanding of the undertaking's development, performance, and position," as well as information that is necessary to comprehend how the company's activities affect environmental and social issues, human rights protection, anti-corruption efforts, and bribery issues. Alternatively said, projects will report both on how they are affected and on how they affect regarding multiple ESG factors. (Kamiński,2023)

A materiality perspective can be seen in both the risks to the project and its effects. It will be necessary for undertakings to take each perspective on materiality into account independently and to disclose information relevant to both views as well as information that is pertinent to only one of the perspectives. Environmental, social, and governance issues will need to be addressed by undertakings. They must report on the following topics: (a) strategy and business model in relation to sustainability; (b) governance and organization in relation to sustainability; (c) materiality assessment of its impacts, risks, and opportunities in relation to sustainability; (d) implementation measures, including policies, targets, actions, and action plans, resource allocation; and (e) performance metrics. (Kamiński,2023)

Additionally, it enables the digitalization of sustainability-related data. The goal of this digitalization is to make it simple to include sustainability information in the Capital Markets Union Plan's proposed European Single Access Point. Additionally, this would be in keeping with the Digital Finance Strategy, which aims to improve data access and use and re-use within the financial sector.

The new directive will increase the number of businesses required to report on sustainability data, and these additional reporting-mandated enterprises will also be expected to report on taxonomy. According to the EU, as a result, the reporting standards that will be created in accordance with Directive EU/2022/2464 will fully take into consideration these indications and expand upon the Taxonomy's "substantial contribution" and "do-no-significant-harm" criteria. (Kamiński,2023)

European Sustainability Reporting Standards (ESRS) will be required for companies subject to Directive EU/2022/2464. The EFRAG, formerly known as the European Financial Reporting Advisory Group, is an impartial organization that brings together numerous stakeholders and is responsible for developing the draft standards. While building upon and supporting global standardization efforts, the standards will be adapted to EU policies. On the basis of the draft standards provided by EFRAG in November 2022, the Commission should adopt the first set of standards by the middle of 2023. (Kamiński,2023)

The ESRS's goal is for the criteria to be reasonable and not place an excessive administrative burden on the businesses that must adhere to them. As a result, if applicable, the standards shall take into account current frameworks and standards for reporting and accounting on sustainability. Global Reporting Initiative, Sustainability Accounting Standards Board, International Integrated Reporting Council, International Accounting Standards Board, Task Force on Climate-related Financial Disclosures, Carbon Disclosure Standards Board, and CDP (formerly the Carbon Disclosure Project) are all taken into consideration when developing UE standards.

In order to guarantee that the information revealed is of equivalent quality, value, and comparability and that important details do not fall between the cracks, the ESRS aims to create a more uniform and integrated reporting standard. In order to avoid needless regulatory fragmentation for companies conducting business internationally, the European standards will also aim to support the International Sustainability Standards Board's (ISSB) work in promoting the convergence of sustainability reporting standards globally. (Kamiński,2023)

The new directive, as previously said, extends the reporting obligations to listed SMEs, except listed micro-enterprises. This is because it's thought that investors need to have access to enough information from listed corporations in particular. The proposed rule would not impose additional reporting requirements on small enterprises, with the exception of SMEs whose securities are listed on regulated markets. SMEs will also be able to report on standards that have been amended and made less complicated than those that will apply to large firms. As a result, the Commission will develop unique, suitable regulations specifically for SMEs. Non-listed SMEs are not required to report, however they are free to use these criteria voluntarily. (Kamiński,2023)

The four stages of the Directive EU/2022/2464's implementation are as follows: Companies already reporting in accordance with Directive UE/95/2014 as of January 1, 2024 (reporting in 2025 on data from 2024).For large businesses that are not currently governed by Directive UE/95/2014, the reporting period begins on January 1, 2025 (using data from 2025).For listed SMEs, small, non-complex credit institutions, and captive insurance undertakings as of January 1, 2026 (reporting in 2027 based on 2026 data).1 January 2028 - reporting in 2029 on the financial year 2028 for third-country enterprises if they have at least one subsidiary or branch in the EU surpassing certain thresholds and have a net turnover above 150 million. (Kamiński,2023)

13.2. Conclusions/ Evaluation of the EU Directives and the guidelines

The new EU Sustainability Reporting Directive addresses the shortcomings of the current non-financial reporting practice. The improvement in the quantity, quality, consistency, and availability of information on the sustainable development of enterprises assumed in this project will bring the European Union closer to realizing the objectives of the European Green Deal and its extensive program for the sustainable socio-economic development of its members. The goal of the new Directive is to ensure that companies properly inform the public about the opportunities, hazards, and impacts of their operations on the environment and human population. There are now more organizations on the list that must report on sustainable development. Companies in the SME sector are making it simpler for investors, especially lending institutions, by reporting duty, in order to manage the risk of sustainable development. (Kamiński,2023)

A new directive calls for the adoption of common non-financial reporting standards throughout the European Union. This is done in an effort to promote the creation of more comparable and trustworthy sustainable development indicators, as well as to accurately assess the risk associated with such development and to effectively monitor it. The notion of double materiality (i.e., the simultaneous application of financial criteria as well as environmental and social criteria when analyzing the effects of economic actions) is one of the fundamental conceptual presuppositions of the EU sustainability reporting requirements. The introduction of a new reporting system will aid in addressing a number of challenges involving inconsistent standards, reporting gaps, and a lack of data comparability for sustainability. (Kamiński,2023)

Companies will be able to report on the most important issues affecting them along with required reporting requirements thanks to the emphasis on material analysis as guiding reporting. Overall, it is evident that the new Directive will bring about significant changes in the kind of reports that corporations must provide, the format in which they must submit their reports, the data they must submit, and the procedures they must put in place. Changes will be expensive, but they are necessary if the EU is to meet its socioeconomic, environmental, and climate goals. (Kamiński,2023)

Conclusion

This paper is an attempt to study through the existing literature the concept of CSR with a main focus on the study of the innovative European CSR Directive.

As societies evolve, their demands towards companies also increase. In this thesis, therefore, an attempt was made to study the concept of CSR, starting from obviously related concepts that frame the former, such as sustainability, environment etc. Then, an attempt was made to provide historical data, first on the concept of sustainability and then on the concept of CSR, mainly through the literature.

During the writing of the thesis, the question of how the concept of sustainability is related to CSR was raised so an attempt was made to explore this question. All these "introductory" we would say "elements" contributed to the study of the CSR Directive which is the main topic of this dissertation.

By studying from why it was deemed necessary to create and eventually consolidate such a directive on the obligations of companies towards a variety of issues that now focus on the environment and society, to where we are today at the European level, an attempt was made to list the most important points of the directive and the amendments it has undergone subsequently, as well as the impact it may have on companies. **At this point we need to focus on the effects of the Directive on companies, as this is the research question of this paper.** Firstly, from an **audit** aspect, CSR will ensure the reliability and accuracy of the information being reported. As for the **digitalization domain**, using a digital category system for sustainability reporting could result in considerable improvements in the comparability and utilization of provided data by investors and other stakeholders, as well as reduced reporting costs for enterprises. Regarding the **cost on companies**, CSR Directive adoption will sure lead to reporting expenses for businesses. Even while the proposed CSRD would result in greater expenditures in the short term for companies subject to its standards, most companies will see a rise in spending due to the increased demand for corporate sustainability information from investors and other stakeholders. This problem is made worse by a number of conflicting standards and frameworks, inconsistent information requests from investors and other stakeholders, and other factors.

Generally speaking, the impacted businesses' overall costs will increase. However, as improved reporting makes companies more aware of hazards related to sustainability and improves risk management, the preferred approach ought to boost firm resilience as well.

Businesses in the EU face the risk of having to pay more for reporting than businesses outside the EU, which would reduce their capacity to compete on a worldwide scale. While other nations are already enacting laws or making other policy-related disclosures connected to sustainability, some multinational firms will most likely decide to voluntarily adhere to the relevant EU requirements. Furthermore, the competitiveness of EU businesses is probably going to increase in the long run if EU standards encourage global alignment and influence prospective future global standards.

Very important positive impacts of the CSR on the EU companies will be over time the fact that disclosing social and environmental information includes better performance, lower funding costs, fewer and less significant company disruptions, and closer ties with stakeholders and clients.

Also, the CSRD controlling social questions is requesting that businesses adopt a vision that may have an impact on hiring, personnel, and information collection, among other business operations, in addition to how businesses handle social justice concerns. This request is based on significant human rights treatises. We believe it will have a noteworthy and long-lasting impact. Furthermore, the transparency requirement of the CSRD has the ability to impact change and reduce inequality. For example, by making wage disparities evident to all employees, knowledge of the gender wage gap could contribute to their reduction.

Finally, an attempt was made to provide points of evaluation of the Directive and its innovations/outcomes through the existing literature.

As this Directive is an innovation in the EU legislative process, and is therefore a fairly 'fresh' subject for study, it should be mentioned that the availability of relevant information sources during the preparation of this study was quite limited. Electronic sources such as scientific articles, papers and EU websites, etc., were mainly used.

To conclude, regarding the future of CSR, new corporate frameworks and strategies will need to take into account the most recent technological advancements and their impact on CSR. The adoption and adaption of new digitization processes and tools, as well as the integration of Artificial Intelligence into the business environment, present a pertinent problem for the CSR discussion and for organizations generally. Thus, in order to incorporate the newest tools, business frameworks will need to change and grow. However, to do this, they will need to do so within a broad, comprehensive framework that is founded on the principles of social responsibility and integrates the concepts of sustainability, shared value creation, and the belief that companies can redefine their mission to act in the best interests of the world. (Latapí Agudelo et al., 2019).

References

Agudelo Latapí,M., Jóhannsdóttir ,L. and Davídsdóttir ,B. (2019) “A literature review of the history and evolution of corporate social responsibility”. *International journal of Corporate Social Responsibility* . Available at: https://doi.org/10.1186/s40991-018-0039-y

CFI(2022). *Sustainability ,Corporate Finance Institute.,*
Available at: https://corporatefinanceinstitute.com/resources/esg/sustainability/
(Accessed: December 2022).

Courtnell, J. (2022) *Corporate Social Responsibility and Sustainability: what’s the difference?, Green Business Bureau* . Available at: https://greenbusinessbureau.com/business-function/executive/corporate-social-responsibility-and-sustainability-whats-the-difference/ (Accessed: 2022).

Du Pisani,J.A(2006) *Sustainable development-historical roots of the concept.* Environmental sciences. Available at: https://www.tandfonline.com/doi/epdf/10.1080/15693430600688831?needAccess=true (Accessed December 2022)

Emas, R.(2015). *The Concept of Sustainable Development: Definition and Defining Principles.* Available at: https://sustainabledevelopment.un.org/content/documents/5839GSDR%202015_SD_concept_definiton_rev.pdf
(Access December 2022).

European Commission (2011) *Press corner - European Commission*. Available at: http://europa.eu/rapid/press-release_MEMO-11-730_en.htm (Accessed: 2022).

European Commission (2011). *Disclosure of non- financial and diversity information by large companies and groups – Frequently asked questions*. Available at: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_301(Accessed: 2022)

European Commission Communication on CSR (2011).*Implementation table*, Ec.europa.eu 2011, Available at : http://ec.europa.eu/enterprise/policies/sustainable-business/files/doc/csractionstime-Line121213webversion_en.pdf (Accessed: 2022)

EUR-Lex(2014) *Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance*.Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095 (Accessed: 2022)

European Commission(2014) *Disclosure of non-financial and diversity information by large companies and groups – Frequently Asked Questions* .Available at: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_301 (Accessed: 2022)

EUR-Lex(2017) *Communication from the Commission — Guidelines on non-financial reporting (methodology for reporting non-financial information)*[online]. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01) (Accessed: 2022)

European Commission (2019). *Overview of the new guidelines on reporting climate-related information.*] Available at: https://finance.ec.europa.eu/system/files/2019-06/190618-climate-related-information-reporting-guidelines-overview_en.pdf (Accessed: 2023)

European Commission (2020). *Internal Market, Industry, Entrepreneurship and SMEs: Sustainability.* Available at: https://single-market-economy.ec.europa.eu/industry/sustainability_en

European Commission(2021). *Questions and Answers: Corporate Sustainability Reporting Directive Proposal*. Available at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_1806

EUR-Lex(2021) *COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting* .Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021SC0151

European Commission(2021) *Sustainable finance package.*Available at: https://finance.ec.europa.eu/publications/sustainable-finance-package_en#csrd

European Commission(2021) *Reports on development of EU sustainability reporting standards.*Available at **:** https://finance.ec.europa.eu/publications/reports-development-eu-sustainability-reporting-standards_en

European Commission(2022) *Press Corner: Daily News 22/06/22* .Available at: https://ec.europa.eu/commission/presscorner/detail/en/mex_22_3966

European Commission(2022)*Sustainable Development goals.*
Available at: https://ec.europa.eu/environment/sustainable-development/
(Access December 2022).

EUR-Lex (2022) *Sustainable development.*
Available at: https://eur-lex.europa.eu/EN/legal-content/glossary/sustainable-development.html
(Accessed December 2022).

European Commission (2023) *Internal Market, Industry, Entrepreneurship and SMEs: Corporate sustainability and responsibility* . Available at: https://single-market-economy.ec.europa.eu/industry/sustainability/corporate-sustainability-and-responsibility_en

European Commission (2023) *Finance: Corporate sustainability reporting.* Available at: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

Fernando, J. (2022) *What Is CSR? Corporate Social Responsibility Explained,Investopedia* . Available at: https://www.investopedia.com/terms/c/corp-social-responsibility.asp (Accessed: 2022).

Fiechter , P., Hitz,J.-M.and Lehmann,N. (2019). *Real effects in anticipation of mandatory disclosures: Evidence from the European Union's CSR directive*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3033883

Huysentruyt M.(2023) *How will New European ESG Reporting Standards affect Companies?* HEC Paris. Available at: https://www.hec.edu/en/knowledge/articles/how-will-new-european-esg-reporting-standards-affect-companies

Kamiński R. (2020). "Introduction Non-Financial Reporting in the Light of International Regulations and EU Directives" .Available at: https://www.researchgate.net/publication/344538633_Introduction_Non-Financial_Reporting_in_the_Light_of_International_Regulations_and_EU_Directives

Kamiński R. (2023). "Directive (EU) 2022/2464 on corporate sustainability reporting". Available at: https://www.researchgate.net/publication/370629395_DIRECTIVE_EU_20222464_ON_CORPORATE_SUSTAINABILITY_REPORTING

Mollenkamp D.,(2023) *What is Sustainability? How Sustainabilities Work, Benefits, and Example*,Investopedia. Available at: https://www.investopedia.com/terms/s/sustainability.asp

The University of Nottingham(2012).*Sustainability- A Brief History* Available at: https://rdmc.nottingham.ac.uk/bitstream/handle/internal/86/Business_edit/15_sustainability__a_brief_history.html (Accessed December 2022).