

# NJORD legislative news: Corporate Sustainability Directive

As part of the European Green Deal, the Corporate Sustainability Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022) (the "Directive") was adopted on 14 December 2022. The objective of the Directive is to transform the European Union ("EU") into a modern, resource-efficient and competitive economy free of greenhouse gas emissions by 2025, while protecting nature and the health and well-being of EU citizens.

The Directive applies in conjunction with Regulation 575/2013 of the European Parliament and of the Council, which requires large institutions that have issued securities admitted to trading on a regulated market to disclose information on corporate environmental sustainability risks, Regulation No. 2020/852, which aims to combat greenwashing of financial products falsely claiming to be sustainable, as well as other EU environmental legislation, and Regulation 2019/2089 of the European Parliament and of the Council, which, among other things, sets disclosure requirements and standards for the development of EU climate transition benchmarks.

The Directive recommends using the term "sustainability information" instead of "non-financial information" in the context of environmental sustainability, given that corporate financial information on the environment, social, employment, human rights, anti-corruption and anti-bribery can have a significant financial impact. In addition, sustainability reporting by companies can enhance corporate reputation and access to finance and facilitate risk management; however, effective audit practices are important in this context.

The Directive emphasises that sustainability-related information should not only be required for large companies that are public interest entities and public interest entities that are parent companies of a large group with a consolidated average number of employees exceeding 500 but also for small and medium-sized enterprises whose securities are admitted to trading on a regulated market under the sustainability reporting standards for small and medium-sized enterprises should be allowed to report on sustainability.

This legislation also applies to third-country nationals whose activities are directed towards the EU, to ensure a level playing field with companies doing business in the internal market, by requiring that reports be accompanied by a statement of assurance. In addition, the report must be made publicly available, for example on the website of the commercial register, and, as regards sustainability information, must include information on the company's entire value chain, including its products and services, supply chain, including not only within the EU but also outside the EU if the company also operates in third countries. Sustainability reporting standards should specify the geographical scope and other disclosures that companies should make in their sustainability report disclosures, and companies should report on their gender diversity policy and its implementation in relation to the company's shareholders.

In addition, Member States are obliged to develop standards for the quality of assurance provided by independent assurance providers and systems for investigating and sanctioning auditors.

It also requires sustainability auditors to complete at least eight months of practical training in annual and consolidated sustainability reporting assurance or other sustainability-related services and provides for the appointment of a lead sustainability partner.