



Sioufas & Associates
Law Firm



NAVIGATING ESG REPORTING OBLIGATIONS: LEGAL IMPLICATIONS AND OPPORTUNITIES FOR BUSINESSES

www.sioufaslaw.gr

Navigating ESG Reporting Obligations: Legal Implications and Opportunities for Businesses

- ❖ **This Memo Concerns:** Investors, creditors, employees, prospective customers, as well as financial products' or bonds' issuers.
- ❖ **The ESG Reports Benefits:** ESG reporting plays a crucial role in enhancing corporate transparency, attracting investments, and fostering sustainable business growth.
- ❖ **Entry into Force:** The Non-Financial Reporting Directive (NFRD) is currently in force, with the Corporate Sustainability Reporting Directive (CSRD) expected to be implemented starting 2024.

I. Introduction

In an era where sustainability and corporate responsibility are paramount, Environmental, Social, and Governance (ESG) reporting has emerged as a critical tool for businesses. The increasing attention from investors, consumers, and regulatory bodies towards ESG practices necessitates a comprehensive understanding of the associated legal obligations and opportunities. These reports are instrumental in aligning business practices with global sustainability goals and stakeholder expectations. This memo aims





to shed light on the legal framework of ESG reporting, its benefits, structural requirements, and the challenges faced by issuers in the current corporate landscape.

II. Legal Framework and Compliance

The landscape of ESG reporting is shaped by international and national regulations. In the European Union, the Non-Financial Reporting Directive (NFRD)¹ is currently in force, with the Corporate Sustainability Reporting Directive (CSRD)², set to be implemented starting 2024. The CSRD broadens the scope and detail of required disclosures, including comprehensive information on environmental impact, social responsibility, and governance practices.

In Greece, the legal framework aligns with EU directives, including the CSRD, which replaces the NFRD (transposed into Greek law by Article 151 of Law 4548/2018). Greek companies are mandated to comply with several key laws including the Greek Environmental Law of 2022³, the Sustainable Finance Disclosure Regulation,⁴ the Taxonomy⁵ and by the initiatives of the Athens Stock Exchange⁶.

The CSRD applies to large and listed companies (except listed micro-undertakings) and includes detailed sustainability reporting requirements on issues such as environmental rights, social rights, human rights, and governance factors. It operates on the principle of double materiality, considering the adverse impacts both from and to the undertaking. Reports under CSRD must be certified to ensure compliance with certification standards and improved accessibility by publishing them in a dedicated section of company management reports.

The directive's application will occur in stages, starting with reports published in 2025 for the financial year 2024. Compliance with the Directive's rules begins from the financial year 2024, extending to other companies based on size up to 2026 or later.

III. Key Points and Benefits of ESG Reporting

ESG reporting covers a broad spectrum of a company's operations, such as disclosures on a company's ecological impact, the company's stance and policies on labor practices, diversity, and community relations, as well as the company's internal practices and procedures, focusing on board composition,

¹ 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, OJ L 330, 15.11.2014, p. 1–9, available at [<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0095>].

² Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance), PE/35/2022/REV/1, available at [<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>].

³ Climate Law no. 4936/2022, available at [<https://www.kodiko.gr/nomothesia/document/793411/nomos-4936-2022>].

⁴ More information can be found here: [https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/sustainable-finance-disclosures-regulation_en]

⁵ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance), PE/20/2020/INIT, OJ L 198, 22.6.2020, p. 13–43, available at [<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32020R0852>].

⁶ The Athens Stock Exchange ESG Reporting Guide, available at [<https://www.athexgroup.gr/web/guest/esg-reporting-guide>].



ethics, and shareholder rights. Effectively addressing these aspects in ESG reports is not just a compliance measure but a strategic tool that enhances stakeholder trust and corporate reputation.

The benefits of rigorous ESG reporting extend beyond mere compliance. Firstly, it serves as a cornerstone for attracting investment. Investors are increasingly inclined towards companies with transparent and responsible ESG practices. Furthermore, strong ESG credentials can significantly enhance a company's brand reputation, fostering loyalty and trust among consumers. From a risk management perspective, ESG reporting allows businesses to identify and mitigate long-term risks, including those related to climate change and social instability.

IV. Challenges and Solutions

Despite its benefits, ESG reporting presents several challenges. One of the primary challenges in ESG reporting is the absence of a standardized framework, which can lead to different reports related to data and disclosures. Additionally, adapting to evolving regulations requires continuous vigilance. Strategic planning and adopting recognized guidelines like GRI and SASB can help mitigate these challenges and ensure effective ESG reporting.

V. Critical Considerations for Issuers and Investors

For issuers, ESG reporting demonstrates commitment to sustainability and corporate responsibility. Stakeholder engagement and aligning ESG considerations with long-term strategic goals are crucial. For investors, ESG reports are critical for assessing the sustainability and ethical impact of their investments.

ESG reporting is an integral aspect of modern business practices, offering opportunities and challenges. For businesses, it demonstrates a commitment to sustainable and responsible operations. For investors, it is a crucial determinant in assessing investment risks and opportunities.

Maria-Konstantina Lili-Kokkori

Lawyer

LL.M. Energy and Climate Law, University of Groningen

LL.M. Public International Law, Law School of Athens,

National and Kapodistrian University of Athens

