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## **Update:** ESG reporting obligations in Bulgaria, Croatia, the Czech Republic, Hungary, Romania and Slovakia

April 2024

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As the 6 July 2024 deadline for implementation of the [EU Corporate Sustainability Reporting Directive \(EU\) 2022/2464](#) (the "CSRD", the "Directive") approaches, a new landscape of reporting standards is beginning to take shape across Central and Eastern Europe ("CEE").

Three of the six countries in CEE (the Czech Republic, Hungary and Romania) adopted legislative acts in the beginning of 2024 that, at least partially, implement the CSRD into national legislation. The progress in Slovakia, Bulgaria and Croatia however has been slower.

For a comprehensive overview of the previous progress on CSRD transposition in the monitored states, we encourage readers to refer to our detailed updates from [December 2023](#) and [February 2024](#). These reports delve into the specifics of each country's legislative developments and provide valuable insights into the ongoing implementation process.

# CSRD implementation: regional progress uneven as deadline draws near



## Bulgaria

Bulgaria will transpose the CSRD with the adoption of changes to the Accounting Act and to the Independent Financial Audit Act. On 5 March 2024 the Finance Ministry published for public consultation the draft law amending and supplementing the Accounting Act. After a one-month consultation period, the Ministry of Finance is expected to submit the final text to parliament for consideration and adoption. However, the timing is unclear, as Bulgaria will hold snap general elections on 9 June and the parliament will not be sitting a month before this date. It is therefore likely that Bulgaria will not be able to meet the 6 July transposition deadline.

The proposed changes to the Accounting Act do not envision much deviation from the CSRD. It introduces an obligation for undertakings to publish a sustainability report in accordance with the phases defined in the CSRD and directly applying the European Sustainability Reporting Standards without any additional modifications or alterations. Exempt from this obligation are micro-undertakings, voluntary pension funds, the central bank, postal operators providing money transfers, and alternative investment funds and collective investment funds. The reporting derogations for Bulgarian subsidiaries (that are large undertakings or listed SMEs) of a parent undertaking are similar to those defined in the CSRD; local entities will have to publish a consolidated sustainability report in the Bulgarian language within 12 months of the end of the financial year.

The legal representative(s) responsible for the reporting is liable to a fine ranging from EUR 250 to EUR 1,500 if they fail to publish a sustainability report / consolidated sustainability report or if the report contains incomplete or incorrect information, and the undertaking is liable to a penalty ranging from EUR 1,000 to EUR 2,500.



## Croatia

Croatia has made some progress in implementing the CSRD. The Ministry of Finance has published draft laws to implement the provisions of the CSRD. At the current stage of the legislative process, the Ministry has published draft amendments to the Capital Market Act and the Accounting Act and has proposed a new Audit Act.

According to the current drafts, the proposed legislation is in line with the provisions of the CSRD. It will be adopted under an emergency procedure in order to meet the implementation deadline. Even so, adoption is expected in Q2 or Q3 2024, as the proposed legislation is still at an early stage: it has yet to be submitted to parliament, and no fixed date for reading has been set. For these reasons, it is currently too early to make a definitive statement on the final outcome of the legislation.





## Czech Republic

The Czech transposition process is taking place in two phases, the first of which has already been concluded. Attention has shifted to the transposition of the remaining obligations under the CSRD. This will be carried out through the adoption of a new Accounting Act, which will replace the current legal framework for companies subject to the Non-Financial Reporting Directive, which, once adopted, will serve as the primary legislation implementing the obligations under the CSRD.

The draft text has already been prepared at the intergovernmental stage and is awaiting final approval by the government before being submitted for discussion in the Chamber of Deputies. According to the Ministry of Finance (the bill's sponsor), it will also be necessary to prepare implementing regulations, an overview of which is annexed to the draft. These are expected to be finalised and published during 2024, which may impact the timing of the government's approval of the proposal.

The new Accounting Act is expected to take effect from 1 January 2025, which is in line with the timing of the expansion of reporting requirements to additional companies under the CSRD. However, the Ministry notes in its summary of the resolution of the commentary procedure that the effective date of the draft is subject to the timing of the adoption of the implementing regulations and amendments to related legislation.



## Hungary

Hungary has already partially adopted its CSRD legislation in the form of Act CVIII of 2023 ("the ESG Act"). The ESG Act comes into force in several stages, some of which have already taken place, although several stages have not yet come into effect (namely those on 1 July 2024, 1 January 2025, and 1 January 2026). However, it does not yet include detailed rules, which will be set out in a government decree, a ministerial decree, and a Supervisory Authority for Regulated Activities ("SZTFH") decree. The rules in question will not only cover rules for sustainability and ESG reports, but also rules for ESG certifiers, ESG consultants and consultant training institutions, and companies distributing and producing ESG software. Work on formulating these detailed regulations is underway, and they are expected to be adopted in April 2024.

Further details on the legislation already in place are available in our December 2023 and February 2024 updates.





## Romania

Romania has already completed its transposition of the CSRD through Ministry of Finance Order No. 85/2024 on sustainability reporting aspects, effective from 26 January 2024 and supplemented by the Romanian Sustainability Code, which was adopted as a non-binding normative act. Details are available in our February 2024 update.

Since then, the Financial Supervisory Authority and the Romanian National Bank have published additional regulations specific to the entities covered by the rules of these institutions.

The ministry's State Secretary has issued a press statement clarifying that the implementation of the reporting requirements does not entail any changes to the accounting legislation in terms of the introduction of specific sanctions for non-compliance with these requirements. As Order 85/2024 did not establish any express sanctions for breaches in relation to sustainable reporting obligations, the extent to which the current sanctions regime is applicable to sustainability reporting will need to be considered by the regulatory authorities.



## Slovakia

On 25 April the parliament adopted a new law implementing CRSD. The text of the law has not yet been officially published. The draft legislation that was submitted to parliament proposed amendments to a number of acts, namely the Accounting Act, the Commercial Code, the Stock Exchange Act, the Commercial Register Act and the Statutory Audit Act. The most important amendments concern the Accounting Act and the Audit Act.

### How we can help

While to some extent the national laws in CEE countries implementing the CSRD thus far do not differ significantly from the Directive, we have seen that some countries differ in, among others, the definition of the undertakings that need to comply with the Directive at the different reporting stages.

Kinstellar will continue to monitor these developments and publish updates on the transposition of the new rules in the countries where we are present. We are proud to provide our clients with valuable assistance in the area of the CSRD, in particular in assessing the applicability of the obligations arising from the Directive to both EU and non-EU companies. We work with technical consultants to provide the full range of technical and legal advice on the preparation and review of CSRD reports and the related data collection.



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