

Sustainability Reporting of State-Owned Entities - Municipal Reporting Needs Considering a Comprehensive Reporting System

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Abstract

The European Union's Corporate Sustainability Reporting Directive (CSRD), which came into force in January 2023, replaces the previous Non-financial Reporting Directive (NFRD) and significantly expands reporting obligations not only for private companies but also for state-owned entities. The CSRD increases the number of companies in the EU subject to reporting requirements from approximately 11,600 to 49,000, including stock corporations and limited liability companies, as well as capital market-oriented companies. In the future, these companies will be required to prepare their sustainability reports in accordance with the detailed requirements of the European Sustainability Reporting Standards (ESRS).

Municipal companies can be subject to the Corporate Sustainability Reporting Directive (CSRD). This directive obliges both private and state-owned companies to report on sustainability. The reporting obligation applies to companies that affect public interests, including municipal companies, provided that they meet certain size and other criteria. In addition, municipalities are guided by the United Nations Sustainable Development Goals (SDGs), which represent a global agenda for promoting sustainable development. Although the SDGs are not directly legally binding, they serve as important guidelines for municipalities to develop sustainability strategies and reports and support the integration of responsible business practises through the SDG Impact Standards for Enterprises.

As part of a mixed methods approach, the legal obligations of municipalities are first presented based on the literature. In the second step, a sample of municipalities is asked about their actual sustainability obligations and their reaction to them in terms of organisational adjustments. From this empirical data, a model will be developed that enables holistic reporting across all municipal levels and considers different structures.

This so-created model will be tested in a municipality. It is assumed that municipalities are extensively affected by sustainability obligations. This is often done through decentralised task execution. Research is also focussed on centralising and bundling tasks in the form of a municipal staff unit in order to carry out sustainability reporting more effectively and holistically, as well as better use the knowledge gained for further purposes, e.g., public marketing, economic development, and strategic tax controlling.

Keywords: ESRS, CSRD, NFRD, SDG