

## ROUNDTABLE ON CSRD READINESS – BUILDING TRUST THROUGH SUSTAINABILITY ASSURANCE

Accountancy Europe and the European Contact Group (ECG) organised [a roundtable](#) (by invitation only) on 14 June 2024 in Brussels, to debate the readiness of preparers, assurance providers, users, standard setters and regulators/enforcers for the upcoming sustainability reporting and assurance obligations.

Under the Chatham House Rule<sup>1</sup>, participants came together in a collaborative effort to address key questions.

### TAKEAWAYS

Participants agreed that implementing the Corporate Sustainability Reporting Directive (CSRD) is a journey; it is unrealistic to expect perfection in year one. They considered the open-minded dialogue to be valuable, facilitating shared learning across the ecosystem. There is a clear need for such initiatives to enable ongoing dialogue.

At a time of geopolitical change and economic uncertainty, companies are working hard and investing heavily to meet CSRD requirements but are finding this challenging. Different approaches at Member State level can cause frustration. More guidance, including for Boards, will be helpful.

Gaps in data, issues around quality and recently implemented internal control processes are leading to some frustration. While assurance service providers have experience and methodologies to deal with some of the issues relating to data, there is a need for greater consistency in application. Some variation in approach may reflect different jurisdictional requirements. Common interpretations of the standards must be the focus in these early years. It is important to share experiences, bringing forth issues while exploring what is and what is not judged to be acceptable and what might be driving inconsistencies.

CSRD implementation is not just a reporting change: it must be anchored in strategy to enable transparency and support the transition to a green and sustainable business model. Inexperience on all sides, however, may lead towards over-compliance. This is distracting management and resources from delivering on strategy and effective transition.

### SUSTAINABILITY ASSURANCE

Providing assurance over sustainability information is not new; however, the CSRD requirements are drastically different. The European Sustainability Reporting Standards (ESRS) require greater rigor, and sustainability assurance, more professional judgement. While assurance providers are also learning, they play an important role by challenging preparers to improve their internal control environment.

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<sup>1</sup> About the Chatham House Rule: <https://www.chathamhouse.org/about-us/chatham-house-rule>

A common understanding is needed of what limited assurance on sustainability reporting means. It is worth noting that limited assurance does not mean lesser quality reporting. The responsibilities of both preparers and assurance providers must be better articulated.

For assurance providers, the starting point is the double materiality assessment (DMA). The DMA process requires a significant level of judgement – as does the determination of topics to disclose. Assurance providers will need to understand the companies' decisions, the stakeholders they consulted during the process and the thresholds they set.

Regulators are also on a learning curve but are keen to take a supportive and pragmatic approach to enforcement in the first years of application, while avoiding the possible emergence of a non-compliance culture. Where things are clearly wrong, regulators will take action. Mutual understanding of the areas of difficulty will grow in the regulatory community as well as across the broader ecosystem.

Both preparers and assurance providers need to transparently and sufficiently disclose the exceptional circumstances associated with the first-time implementation of a new framework. Such disclosures must include current limitations and the progress needed to overcome them.

## **JOURNEY FORWARD**

The upskilling challenge across all key actors cannot be underestimated.

The emergence of a potential expectation gap must be tackled, including from a new and wider group of likely users of sustainability reports. Ultimately, stakeholders want relevant and reliable information on companies' targets, action plans and ambitions. They will need to be able to understand from the assurance opinion what work has been done, what conclusions have been reached and why.

Looking forward, qualifications in the early years are to be expected. Understanding the basis for qualifications will shape investors' and other users' decision-making; therefore, they should take a pragmatic view on sustainability reporting – and its practices – as it matures.

The international dimension must also be considered, as the CSRD has significant implications for non-EU preparers. Other jurisdictions are also moving forward with sustainability reporting requirements, often accompanied with independent assurance.

There will also need to be greater focus on the interlinkage between financial and sustainability reporting – and care should be taken not to step away from many years' work on and practice of integrated reporting.

## **QUESTIONS FOR FURTHER REFLECTION**

- can the ecosystem align on what is 'good enough' in the first years of CSRD implementation?
- do directors need more guidance to direct and oversee what management does regarding sustainability reporting?
- is there scope for greater reliance on work already done in the value chain, to avoid duplication?
- would a simple explanation of what limited assurance means – and how it differs from reasonable assurance – be useful? Is it necessary to make clear that getting ready for assurance is the same, irrespective of the level of assurance given?

- is more dialogue needed on the form and content of the assurance opinion, including whether this will be in the form of a single or granular conclusion(s)?
- can solutions be provided regarding assurance for non-EU preparers?

At the end of the event, participants from different stakeholders outlined the value of a diverse and open dialogue (under Chatham House Rule) and showed interest in continuing the conversation, perhaps structuring an ongoing engagement.