

**ACCOUNTANCY
EUROPE.**

European developments in sustainability : Corporate Sustainability Reporting Directive

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Accountancy Europe

LAR conference

8 September 2023, Palanga, Lithuania



**CLOSE TO 1 MILLION
PROFESSIONALS**



**26 EU
MEMBER STATES**



50 INSTITUTES



35 COUNTRIES

WHAT WE DO



Facilitate members
cooperation



Dialogue with
policymakers



Help shape the
profession's **future**

3

OUR STRATEGIC PRIORITIES

Support a
sustainable
& **just**
transition

Advance the
corporate
governance
ecosystem

Shape the
profession's
future &
attractiveness

ONGOING ACTIVITIES

- Corporate reporting
- SMEs (LCE)
- Tax

- Anti-money laundering
- Public sector
- Ethics

- Professional bodies' roles
- Digitalisation
- ...

Profession's role & responsibility in sustainability



MEASURE



ADVISE



REPORT



ASSURE



**Our prime public
interest duty**



What's on the mind of EU policymakers?



*Becoming the world's first **climate-neutral** continent ... by 2050*



EU Green Deal

Key figures

The first climate-neutral continent
by 2050

At least 55% less
net greenhouse gas emissions by
2030, compared to 1990 levels

3 billion
additional trees to be planted in the
EU by 2030

Source: European Commission

CSRD

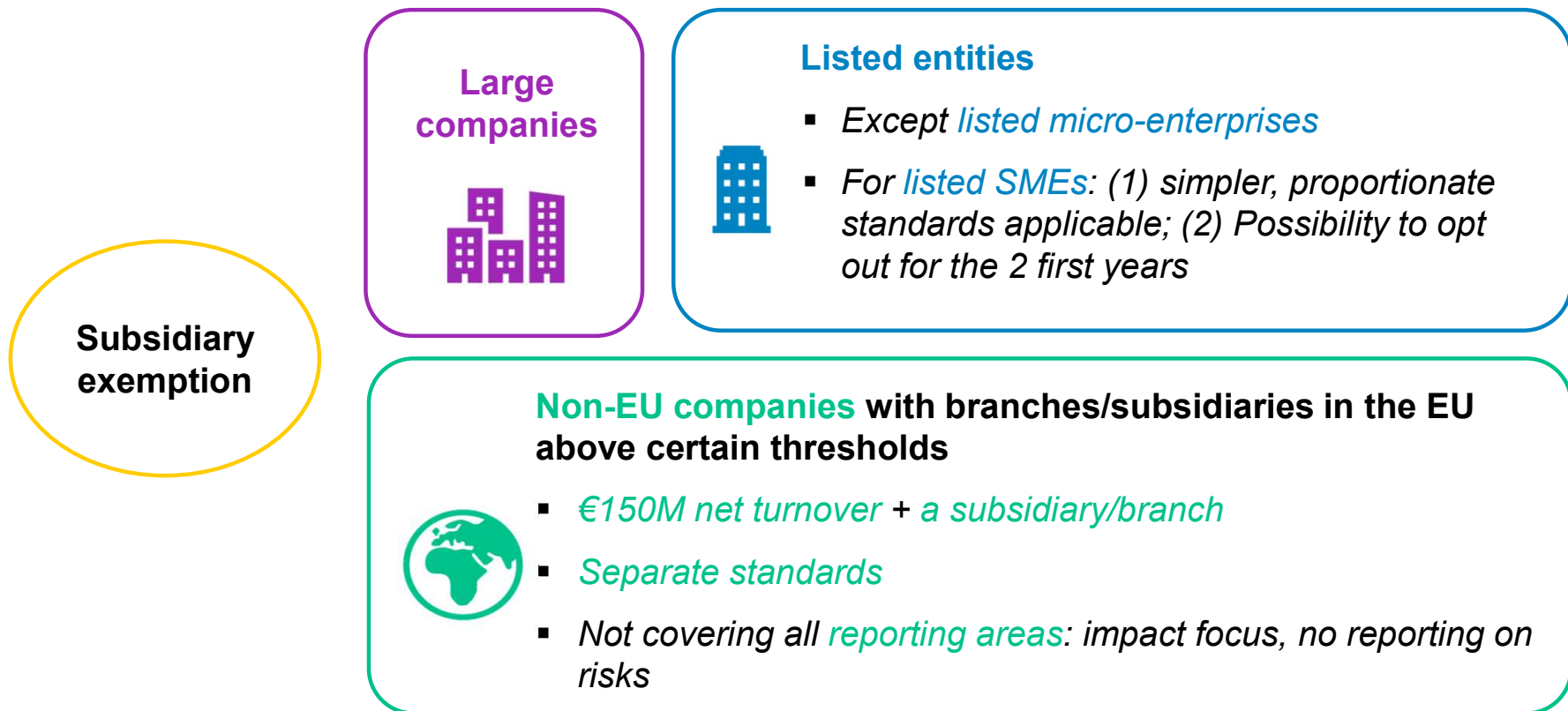
...fundamental for the EU Green Deal's objectives

- *Main aim:* transformation of business models
- *Measure & report:* European Sustainability Reporting Standards
- *Assure:* Sustainability assurance



EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

CSRD scope



CSRD - *value chain* – *impact for SMEs*

“[...] a description of the principal actual or potential adverse impacts connected with the group’s own operations **and with its value chain**, including its products and services, its business relationships **and its supply chain**”



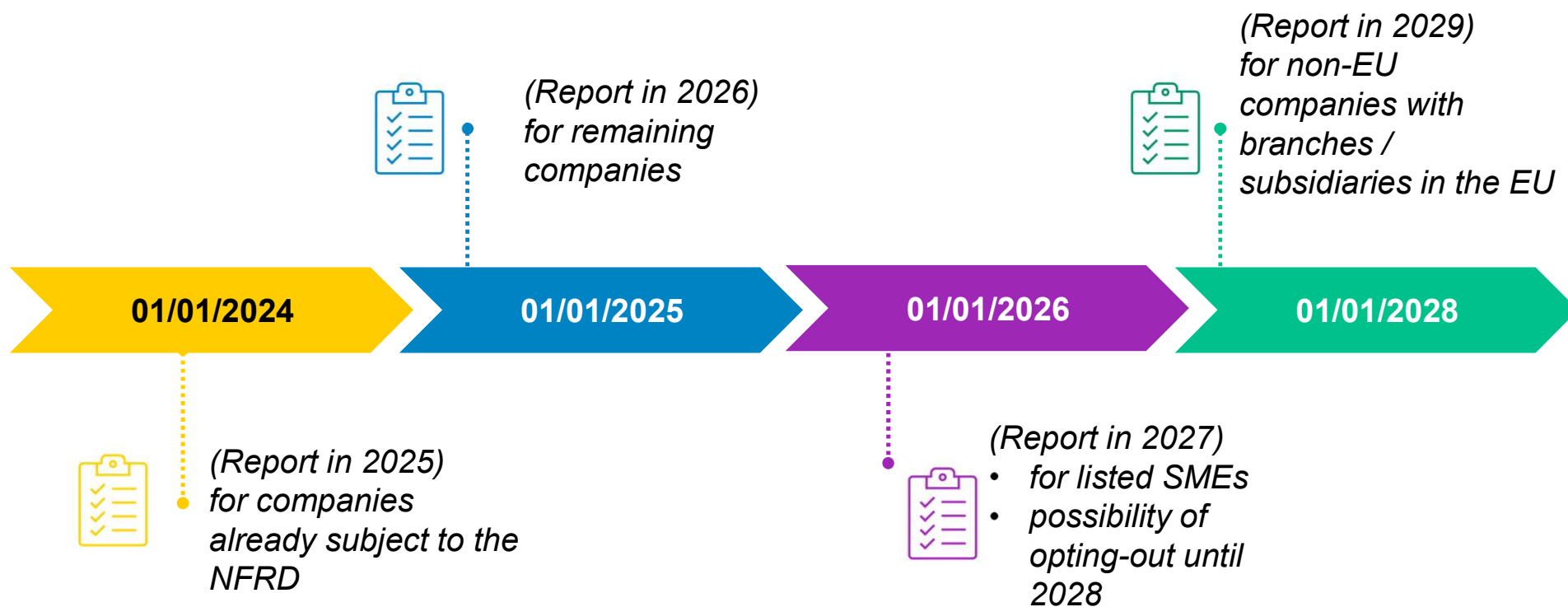
The CSRD allows a **3-year period** to disclose all the information regarding the value chain of the undertaking



Value chain and SMEs:

Disclosure Requirements must be **proportionate** to the characteristics of the entity
Larger undertakings will not be able to require SMEs in their value chain to disclose information that exceeds the information required by the ESRS for SMEs

CSRD phased-in



CSRD impacts to the accountancy profession

1. **SCOPE => Large & listed entities** disclose sustainability information in the management report, **SMEs** via value chain
2. **REPORTING STANDARDS => Digital**, machine-readable reporting format according to **standards** developed by EFRAG & adopted by EC
3. **ASSURANCE => Limited assurance** required, move to **reasonable assurance** in the medium term
4. **EDUCATION => Professional education** and CPD to be adapted to acquire knowledge in sustainability reporting and assurance

ESRS state of play

ESRS 1 General requirements	ESRS 2 General disclosures	ESRS E1 Climate Change
ESRS E2 Pollution	ESRS E3 Water and Marine Resources	ESRS E4 Biodiversity and Ecosystems
ESRS E5 Resource use and Circular Economy	ESRS S1 Own Workforce	ESRS S2 Workers in the Value Chain
ESRS E3 Affected Communities	ESRS E4 Consumers and End-users	ESRS G1 Business Conduct

AUGUST 2023



Set 1 adoption

(EP and Council have until 22 October 2023 to accept or reject)

NEXT?



- *Guidance*
- *Listed SME standard*
- *Standard for non-EU companies*
- *Second set of ESRS?*
- *Sector-specific ESRS?*



JANUARY 2024

ESRS set 1 effective date

CSRD: digitalisation

- Companies **must also digitally tag information** so that it is machine-readable for use in the European Single Access Point (ESAP)
- EFRAG launched ESRS Digital Reporting Consultative forum
- Digital taxonomy underway under XBRL

CSRD: assurance

- EU-wide **limited assurance requirement** → **reasonable assurance** (audit)
- Statutory auditor opinion on sustainability reporting
- EU assurance standards adoption via delegated acts:
 - **limited assurance standards** by 1/10/2026
 - **reasonable assurance standards** by 1/10/2028

EU assurance standards

IAASB is developing sustainability assurance standard (ISSA 5000)



- agnostic & suitable reporting framework
- double materiality
- limited and reasonable assurance engagements
- for auditors and non-practitioners

***EC = observer in the IAASB
DG FISMA monitors development and
adoption.
→ Could be basis for the EC delegated
act(s) on assurance***



CSRD – professional education

- **Theoretical & practical** knowledge should be acquired on sustainability reporting and assurance via continuing education
- **8 months** of practical **training** in sustainability assurance or other sustainability related services + theoretical **exam**

A means to enhance our reputation & relevance
→ Proactivity and ability to adapt / respond to the demand



Accountancy Europe's work

CSRD transposition tracker

Possible answers / How to
Yes/No: decided
Likely/Unlikely: as currently discussed
I don't know: no insight into government discussion

don't know: no insight into government discussion	Transposition states						CSRD Article 1: Amendments to Accounting Directive 2013/34/EU, Scope	CSRD Article 3: Amendments to Audit Directive 2006/43/EC Articles 6, 7, 8, 10 related to educational qualifications, training					
Countries	Transposition progress			Responsible body for the transposition (Ministry of Justice, Finance ... of department)	CSRD has been formally transposed to national law [insert date]	Web link of the final text, once available	Scope interpretation (number of companies affected, type of companies affected, third country companies etc)	What are educational requirements for the statutory auditors to be approved to carry out sustainability assurance? E.g. necessary knowledge: length, subjects or similar)	What are practical training requirements to be approved to carry out sustainability reporting assurance? (Art 10 states 'at least eight months')	Will those requirements be an 'add on' or integrated in the statutory auditor qualification?	What are continued education requirements for existing statutory auditors to carry out sustainability assurance?	Will MS allow a statutory auditor other than the financial auditor to obtain sustainability assurance on sustainability reporting?	Will MS open the market to provide sustainability assurance services? (Yes/No/Likely/Unlikely/Don't know)
	Starting date [insert the date]	Progress status [if applicable]	(Expected) end date [insert the date]										
Austria	25-Apr-23	First presentation of planned legislation (draft is incomplete)	parliamentary session and final conclusion in autumn 2023	Ministry of Justice, Ministry of Finance and Ministry of Labour and Economy	not yet (see expected date)	currently not made available to the public	approx 2.000 companies, but due to exempt rules it may be a significant lower number which will finally report sustainability matters externally	Planned legislation will fully implement the new articles 6, 7, 8 and 10 (including exams in writing and oral) in the Professional Law	Eight months	integrated	additional 40h over 3 years	Likely	Likely
Belgium				Ministry of Finance	Not yet								
Bulgaria				Ministry of Finance	No								
Croatia				Ministry of Finance	No								
Cyprus				Ministry of Finance (delegating to and Cyprus Securities Exchange Regulator for the TD), Cyprus	No		approx. 26 (Under NFRD scope) - will provide more information following an impact study we plan to carry out					Likely	
Czech Republic													
Denmark		2nd of June 2023 presentation of the draft law proposal for communication has been initiated	1. April 2024	Ministry of Industry, Business and Financial Affairs / Danish Business Authority	Not yet		2472 (large listed 92, SME listed 92, and large companies - not listed 2348)	Expected four hour exam	Eight months	Most likely an add-on	As of now, the continued education will be 30 hours	Likely	Likely
Estonia													
Finland	10.11.2022	Law proposal	1.12.2024	Ministry of Economic Affairs and Employment of Finland	Not yet		Total number of companies 1270 (128 large listed companies, 16 listed SME, not listed companies 1126)	Statutory auditor and application for a certification to the auditor's supervisory authority	Eight months	Add-on	60h	Likely	Likely
France	3th March 2023	Draft law in progress	3th December 2023	Min of Finance & Min of Justice	Not Yet	N/A	Estimated 6000 but exact number unclear	Special accreditation subject to CSRD training	Eight months	add on (optional but mandatory)	60-70 hours	Yes	Yes
Germany													
Greece													
Hungary													
Iceland													

CSRD transposition status (1)

- National transposition required by mid 2024
 - EC held 2 transposition workshops with EU MS
- Work in Progress in all EU MS (our sample is 14 EU MS)
- CSRD transposition proposals
 - Drafts in FI, NO & SE, ...
 - Partial draft in FR, IE, AT, HR, DK, LV, SI ...
 - Draft void now in ES
- Training of existing audit practitioners
 - Between 30 and 70 hours of training in EU MS



CSRD transposition status (2)

- Sustainability assurance provision
 - by another auditor: likely in +/- all MS
 - by an Independent Assurance Service Provider (IASP)*
 - Yes in 2 EU MS
 - Likely in 4 EU MS
 - Unlikely in 2 EU MS
 - No in 4 EU MS
- National sustainability assurance standard
 - Yes in 5 EU MS (in FR CSRD specific standard)
 - Likely in 6 EU MS
 - Unlikely in 2 EU MS
 - No in 1 EU MS



Legislative

Reporting

Standard
setting

Assurance

Education

CONSULTATION RESPONSE

CONSULTATION RESPONSE

CONSULTATION RESPONSE



22 October 2019

SUSTAINABLE FINANCE CALL TO ACTION

ACHIEVING HIGH QUALITY & CONSISTENT REPORTING

Category: Good Governance & Sustainable Economy

Reporting & Transparency

Tag: Future corporate reporting | non-financial reporting

Sustainability | Sustainable finance



23 November 2022

FAQS: ALL YOU NEED TO KNOW ABOUT THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

FACTSHEET

Category: Good Governance & Sustainable Economy

Tag: Assurance | EFRAG | ESRS | Future audit & assurance

Future corporate reporting | Green recovery | IFRS | non-financial assurance

non-financial reporting | SME/SMP | Standard-setting oversight | Sustainability

Sustainable finance



September 2017



23 November 2022

EFRAG SRB ISSUES FIRST SET OF DRAFT EU SUSTAINABILITY REPORTING STANDARDS STATEMENT

Category: Good Governance & Sustainable Economy

Reporting & Transparency

Tag: EFRAG | ESRS | Future corporate

Standard-setting oversight | Statement | Sustainability

3 July 2009

CALL FOR ACTION – SUSTAINABILITY DISCLOSURES IN FINANCIAL INFORMATION CAN BE IMPROVED



JULY 2021



18 September 2017

ENHANCING THE COORDINATION OF NON-FINANCIAL INFORMATION INITIATIVES & FRAMEWORKS

CALL FOR ACTION



Position paper



TOWARDS RELIABLE NON-FINANCIAL INFORMATION ACROSS EUROPE

Factsheet

16 April 2002

PROVIDING ASSURANCE ON SUSTAINABILITY REPORTS



17 December 2008

CALL FOR ACTION – NEED TO INCREASE EDUCATION IN SUSTAINABILITY FOR ACCOUNTANTS AND MANAGEMENT!



ACCOUNTANCY
EUROPE.

THANK YOU

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