ACCOUNTANCY EUROPE.
Corporate Sustainability Reporting Directive: EU developments

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KACR ESG reporting and its audit: myths and facts

20 June 2024, Prague, Czech Republic
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

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
- …
CSRD – key changes

• Expanding **scope** for all listed & large companies, from 12k to 42.5k companies

• Mandatory reporting in accordance with **European standards (ESRS)**

• **Digital tagging** of reported sustainability information in accordance with digital taxonomy

• **Requirement for (limited) assurance** over sustainability reporting

• Law transposition in EU Member States to be done by **6 July 2024**
CSRDP transposition status (EEA countries)

Transposed
- Czech Republic*
- Finland
- France
- Hungary
- Italy
- Romania*
- Norway
- Sweden

National assurance standard/guidance
- Czech Republic
- Finland
- France
- Italy
- Sweden

*CSRD has been partially transposed

Disclaimer: this information is indicative
ESRS – Overview of Set 1

**GENERAL**
- ESRS 1 General requirements
- ESRS 2 General disclosures

**ENVIRONMENT**
- 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

**SOCIAL**
- ESRS S1 Own Workforce
- ESRS S2 Workers in the Value Chain
- ESRS E3 Affected Communities
- ESRS E4 Consumers and End-users

**GOVERNANCE**
- ESRS G1 Business Conduct

Some phase-ins to ease application

Effective JANUARY 2024

284 Pages ESRS, 1134 Datapoints, 83 Disclosure requirements
CSRD: digitalisation

- CSRD requires companies to digitally tag information so that it is machine-readable for use in the European Single Access Point (ESAP)
- EFRAG to develop the digital taxonomy for ESRS Set 1 & EU Taxonomy Article 8 XBRL Taxonomy
  *approval scheduled for July 2024*
- ESMA to define the tagging rules & cost-benefit analysis
- EC to adopt a delegated act amending ESEF Regulation
• EC shall adopt EU assurance standards **via delegated acts:**
  • **limited assurance standards** by 1/10/2026
  • **reasonable assurance standards** by 1/10/2028
    *following EC’s assessment whether reasonable assurance is feasible for auditors and companies*
• MS may apply national assurance standards, procedures or requirements before the EC adopts assurance standards
• Auditors and IASPs to apply EU assurance standard
2025 first sustainability assurance engagements under CSRD over 2024 ESRS reporting

No harmonisation of sustainability assurance standards

IAASB
- ISSA 5000 (Sep-24)

CEAOB
- non-binding guidelines (Jul-24)
- technical advice (May-25)

EC
- EU standard for limited assurance (Oct-26)
- EU standard for reasonable assurance (Oct-28)
Corporate sustainability due diligence directive - formally adopted!

- **Scope:** only very large companies
- Phased-in approach
  - **First wave in 2027**
    - companies with over 5000 employees and 1500 mill turnover
    - non-EU with 1.5 billion turnover in the EU
- **Risk assessment** of company’s chain of activities
- Obligation to **adopt a climate transition plan** & report under CSRD
- Option to use **independent verification** of the compliance with CSDDD’s provisions
THANK YOU

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