



**ACCOUNTANCY
EUROPE.**

SUSTAINABILITY ASSURANCE UNDER THE CSRD

Key matters to respond to the upcoming CSRD requirements

Discussion paper

IDEAS.

**AUDIT & ASSURANCE
MAY 2022**

HIGHLIGHTS

The European Commission's (EC) Corporate Sustainability Reporting Directive (CSRD) proposal introduces an EU-wide requirement for limited assurance on sustainability information with the end goal to move to reasonable assurance in the longer term.

Professional accountants have been providing assurance services on sustainability information to companies in the European Union (EU) for over two decades. They have built up expertise in this area supported by the professional framework and standards they follow.

This discussion paper provides insights from practice on key matters related to this new assurance requirement and poses questions to stakeholders, including policy makers and standard setters, to reach a common understanding on the practical implications. Debating these matters early will ensure high quality and consistent application of assurance services across the EU.

INTRODUCTION

The European Commission (EC) has published a proposal for a Corporate Sustainability Reporting Directive (CSRD). The CSRD supports the European Green Deal, a set of policy measures intended to combat the climate crisis by transforming the European Union (EU) into a resource efficient and competitive economy. Furthermore, the CSRD is part of the Sustainable Finance package, that helps to channel private investment towards the transition to a climate neutral economy.

SUSTAINABILITY ASSURANCE REQUIREMENT

The CSRD contains specific provisions requiring sustainability information to be subject to assurance.

The reported sustainability information should form part of the management report. It is essential to ensure connectivity between financial and sustainability reporting for this information to be fully informative for all stakeholders. Companies' long-term viability depends on sustainability related factors and, therefore, sustainability reporting needs to be connected to financial one. Separating the two will not give a complete picture to the reporting users that need such complete overview for sustainable decision making.

Robust sustainability reporting standards are a critical pre-requisite for high quality reporting by companies¹ and the provision of high-quality assurance. Once companies have put in place the necessary measures to report sustainability information according to the standards, independent assurance would assess whether the information is accurate in all material aspects. It should also consider whether the reporting provides the complete story in a neutral manner, i.e., without cherry picking, undue emphasis, or omission of information.

The CSRD proposal is considering the role of independent assurance service providers in addition to statutory auditors² to carry out sustainability reporting assurance. This paper explores practical implications of this proposal.

THE ACCOUNTANCY PROFESSION'S EXPERTISE

Professional accountants have been providing assurance services on sustainability information in Europe for over two decades. They have built up expertise in this area based on their financial audit experience, combined with acquired knowledge regarding sustainability matters and supported by the professional framework and standards they follow, including on ethics and quality management.

It is of utmost importance to have legal certainty as soon as possible to successfully implement this EU proposal. Accountancy firms of all sizes have to prepare and build the structures and quality management systems to respond to the high demand given the broad scope of application.

We aim for more clarity to:

1. properly define the information subject to assurance
2. foster a common understanding of the work effort to reach limited assurance amongst all stakeholders across the EU
3. identify the pathway to move from limited assurance to reasonable assurance in the medium term
4. deal with reported forward-looking information
5. establish a level playing field for all assurance practitioners
6. agree on the preconditions that need to be met for assurance
7. ensure that assurance standards are fit-for-purpose
8. inform all stakeholders who will need to implement the CSRD assurance requirement

¹ i.e., understandable, relevant, representative, verifiable, comparable, and represented in a faithful manner

² 'statutory auditor' means a natural person who is approved in accordance with the Directive 2006/43/EC by the competent authorities of a Member State to carry out statutory audits and, where applicable, assurance engagements of sustainability reporting

KEY MATTERS TO RESPOND TO THE CSRD REQUIREMENTS

Each section below contains our main observations in bold, insights from practice that explain them, and questions for further discussion with stakeholders at upcoming events. In the context of potential uptake to more detailed standards or further guidance, Accountancy Europe will facilitate the exchange of experience amongst practitioners to achieve a harmonised approach to assurance across the EU.

1. INFORMATION SUBJECT TO ASSURANCE UNDER THE CSRD

MAIN OBSERVATIONS

For any assurance engagement, whether limited or reasonable, the information or indicators that it should cover (the ‘subject matter information’) must be clearly identified.

Moving forward, stakeholders will gain most comfort if sustainability information is clearly connected to financial reporting and part of the management report and if assurance is required on the entirety of sustainability information at EU level³. Assurance is currently obtained on various types and scopes of sustainability information across the EU.

INSIGHTS FROM PRACTICE

Current practices in the EU vary in terms of type or scope of information subject to assurance. Assurance is often obtained on specific quantitative information, rather than on the report as a whole. We acknowledge that this is a developing area and that the provision of assurance on the entire sustainability information will be a challenge, but one that we welcome to add value to the report readers.

Quantitative performance information is enhanced by narrative explanations on related developments, trends, actions, achievements, or failures. Furthermore, if assurance does not cover the wider narrative information, there is a risk that the information is accurate yet provides an incomplete or misleading picture. This could be the case, for instance, if narrative information on challenges, failures or negative impacts is not reported.

The EC’s CSRD proposal does not provide details on the scope of the information subject to assurance. As the negotiations are still ongoing, Accountancy Europe sees value in debating this issue. Companies will have to integrate the new requirements, and legal certainty is, therefore, needed as soon as possible.

The current CSRD proposal requires limited assurance over the following items:

1. compliance with the reporting standards adopted according to Article 19b; the reporting standards developed by the European Financial Reporting Advisory Group (EFRAG) will require reliable performance data and breakdowns per country or operating segments
2. process carried out by the undertaking to identify the information reported according to those reporting standards
3. compliance with the requirement to mark-up sustainability reporting in accordance with Article 19d (digitalisation)
4. compliance with the reporting requirements of Regulation (EU) 2020/852 Article 8 (Taxonomy Regulation)

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) Do you agree that assurance should be obtained on sustainability reporting as a whole? Why or why not?

³ To put into context what is currently required on the non-financial information (NFI) included in the management report as per the Non-Financial Reporting Directive, we refer to the survey we carried out in February 2020:

https://www.accountancyeurope.eu/wp-content/uploads/Accountancy-Europe-NFI-assurance-practice_facthseet.pdf

Out of 26 countries covered, 12 countries apply the EU minimum requirement for the statutory auditors to check whether NFI has been provided, 11 countries have an additional requirement to check the consistency of NFI with the financial statements and 3 countries opted for mandatory independent assurance over the NFI.

2. ASSURANCE LEVEL

MAIN OBSERVATIONS

There is a risk of different interpretations of what limited assurance entails and the required work effort to obtain it. In a limited assurance engagement, the timing and extent of the work undertaken are more limited than in a reasonable assurance engagement. However, it must be still meaningful and bring comfort to the report users.

Moving to reasonable assurance will provide to the market the same level of comfort as financial information and demonstrate that sustainability information is as crucial for business viability and stakeholder decision-making as financial information. Sustainability information is also essential due to its connectivity to financial information. That is why the EU regulatory framework should set reasonable assurance as an end goal, for example, over a period of three to five years.

INSIGHTS FROM PRACTICE

The assurance level relates to the work effort

To begin with, the quality of the information starts with the company's delivery. The company's reporting must be of the same quality whether it is limited or reasonable assurance or whether assurance is obtained at all.

The assurance level – either limited or reasonable – relates to the nature and extent of the work needed in a specific engagement. In a limited assurance engagement, practitioners obtain less assurance on the quality of the information because of less or different work undertaken than in a reasonable assurance engagement where they conduct more and deeper work. In both cases, the practitioner needs to sufficiently understand the company to assess the risk of material misstatement⁴.

The assurance work is planned based on this understanding and aims at detecting any material misstatement with the objective of the engagement in mind. Practitioners consider both the risk of material misstatement before starting the assurance work, and the risk that the assurance work will not detect a misstatement.

Sustainability reporting aggregates data from different sites, subsidiaries, or countries at corporate level. For large companies, it may cover various activities with different impacts and sustainability topics. The internal controls over sustainability information are currently perceived as less robust than for financial information. In this context, it would be important to discuss whether:

1. work should be performed only at corporate level or also at subsidiary level for limited assurance
2. the work effort should be equivalent for all material topics
3. detailed testing should be required and to which extent

Overview of matters to be addressed in a limited assurance engagement

In a limited assurance engagement, the practitioner's primary focus is to understand the process used to compile the information and identify areas where a material misstatement is likely to arise. Then the practitioner concentrates on inquiry, observation, and analytical procedures, e.g., review of data at a more aggregated level. However, if the practitioner becomes aware of a matter that causes them to believe there may be a material misstatement, additional work is undertaken to obtain limited assurance.

As an outcome, the practitioner expresses a conclusion about the fair representation of the information in a negative form. The key issue is that limited assurance generates various levels of work effort, as the nature of the work to be performed cannot be exactly defined in assurance standards. This means that more work will be done if the practitioner believes there could be a material misstatement. The practitioner uses professional judgement in the individual circumstances.

⁴ It is about assessing the risk for the information to be sufficiently incorrect that it may impact the economic decisions of the information users.

Example: negative conclusion

“Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company’s report for the period from 1 January 20XX to 31 December 20XX have not been prepared, in all material respects, in accordance with the applicable reporting framework.”

We provide a *non-exhaustive overview* of matters the assurance practitioner may address in a limited assurance engagement:

- understand the company’s relevant characteristics, environment and sustainability context, including the material impacts by and the material risks and opportunities to the company
- review the company’s policies and processes to address its sustainability challenges and consider the related disclosures
- consider the sustainability reporting process, including the selection of the material topics and their details to be disclosed
- conduct inquiries and review documentation about the internal controls to identify areas where material misstatements in sustainability reporting are likely to arise
- perform primarily analytical review and inquiries on the quantitative information disclosed and performing, along with further procedures as necessary (site visits, underlying documentation inspection, etc.)
- evaluate the narrative information comparing it with evidence obtained from internal and external resources. This may include inspecting plants, analysing explanations of performance, achievements, failures, challenges
- evaluate the information’s completeness and neutrality, considering the risk of fraudulent or erroneous reporting
- consider the neutrality and completeness of the reporting principles adopted by the company to address the risk of greenwashing

Moving to reasonable assurance

In the CSRD, the EC proposes to assess the possibility of moving to reasonable assurance three years after implementation. Currently, there is no detail on the scope of the information subject to assurance, and which information should be considered for reasonable assurance at a later stage.

Reasonable assurance is the highest assurance level, the one that is for instance applicable in a financial statement audit. We should keep in mind though that, by definition, no assurance can be absolute.

In a reasonable assurance engagement, assurance practitioners undertake different and more extensive procedures and require further evidence upon which to base their conclusion, for instance regarding testing on the company’s internal controls and data sampling procedures and testing with collecting underlying evidence.

In a reasonable assurance engagement, the practitioner expresses a conclusion (called “opinion”) in a positive form as to whether the information is accurate and complete [or: fairly presented], in all material respects, against the (European sustainability) reporting standard.

Example: positive opinion

“In our opinion, the disclosures in the Company’s report for the period from 1 January 20XX to 31 December 20XX is presented in accordance with the applicable reporting standard and is, in all material respects, fairly stated”

Moving to reasonable assurance will require all involved parties to take necessary steps to make this happen in a cost-effective manner. It will not be enough for assurance practitioners to do different or more work; the reporting chain and corporate environment should evolve in parallel. We refer to the actions identified in the last section of this discussion paper.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) What should a limited assurance engagement entail in the CSRD context?
- b) Should reasonable assurance be the end goal with limited assurance being an intermediate solution? Why or why not?
- c) What transition period do you deem appropriate?

3. FORWARD-LOOKING INFORMATION

MAIN OBSERVATIONS

Forward-looking information - for example, climate related targets or expected outcomes of key actions - inherently consists of estimation, judgement, and expectations about the future. Such information can heavily depend on scientific and estimation uncertainties or methodologies available at a given time. They can, therefore, lead to a high degree of uncertainty in the reported information.

When the necessary steps have been taken by companies, practitioners should be able to provide assurance on whether the information is prepared, in all material respects, in accordance with the relevant reporting standards despite the inherent limitations faced. Assurance does not provide guarantee on outcomes portrayed in forward-looking statements, but it gives comfort to the users that the information is properly prepared, in line with the relevant reporting standards, and based on reasonable assumptions.

Sustainability reporting standards must provide complete and clear reporting requirements for forward-looking information and should refer to quantification and measurement methodologies.

INSIGHTS FROM PRACTICE

The CSRD proposal requires companies to provide certain forward-looking information, e.g., their business model, strategy, and targets. Those requirements are expected to be further detailed in the upcoming European Sustainability Reporting Standards (ESRS).

Given the current developments in sustainability reporting, the assurance practitioner will examine forward-looking information as well. There are specific challenges related to forward-looking information as companies and assurance practitioners cannot predict the future. Quantification methods can be heavily dependent on estimation and lead to a high degree of uncertainty in the reported information.

However, the assurance practitioner can obtain assurance, for instance, on company's compliance with the reporting standards, assess the methodology used to collect and prepare the information and if it is consistent with the assumptions in the financial statements and the company's strategy.

Although the extent of the work performed will depend on the level of assurance to be obtained, below we provide important considerations on forward-looking information:

- evaluate the source and reliability of the assumptions, also considering the adequacy and reliability of the underlying data based on historical performance measures
- determine the proper preparation of forward-looking information based on the assumptions and its presentation in accordance with the reporting standard requirements
- evaluate the policy and targets' implementation and whether the targets are presented in accordance with the standards
- evaluate the forward-looking information completeness and neutrality, i.e., whether the information is reported without bias

Assurance adds rigour to how companies gather and process information leading to their reporting on forward-looking information. In all instances, transparency should be required from assurance practitioners in their report about the work effort expended and the inherent limitations of the assurance provided.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) Do you consider assurance over forward-looking information as necessary? Why or why not?
- b) Do the above considerations reflect your understanding of assurance on forward-looking information?

4. HIGH QUALITY ASSURANCE ON SUSTAINABILITY REPORTING**MAIN OBSERVATIONS**

All assurance service providers should be subject to equivalent requirements in line with the Directive 2006/43/EU, regardless of who provides the assurance: the statutory auditor, another auditor working in an accountancy firm, or another assurance service provider.

Any assurance service provider should be required to apply the same professional assurance standards, ethical requirements, personal disciplinary liability, independence requirements, quality framework and be subject to equivalent public oversight. Currently, this is not regulated, but we believe that it is an essential element for success to achieve consistent assurance quality and enhance trust in sustainability reporting.

INSIGHTS FROM PRACTICE

These insights come from the perspective of statutory auditors' practice, with the objective to work towards a level playing field and consistent high quality for assurance on sustainability reporting.

Statutory auditors are well placed to perform assurance engagements on sustainability reporting. Broad company knowledge is gained during the financial audit. Additionally, as per current EU law, the statutory auditor is already required to check consistency between the sustainability information and the financial statements if sustainability information is part of the management report. Besides, the accountancy profession already has a proven methodology to provide assurance engagements.

In turn, the knowledge gained through assurance on sustainability reporting supports a broader and valuable understanding of the company for the financial audit.

It operates in a framework of ethical and quality management standards that have been developed with due process and public oversight.

When the statutory auditor is involved with the company's financial and sustainability aspects, it supports the connectivity between both perspectives, not only in assurance but also in the company's reporting. We hear from investors that they expect to see a complete picture and value interconnectivity. If disconnected, there is a substantial risk that sustainability will not drive decision-making with the same effectivity as if it were closely connected to financial information.

The statutory auditor is already required to adhere to stringent ethical principles, that include staying clear of any conflict of interest that would threaten auditor's independence. Indeed, the Audit Regulation (EU) No 537/2014 prohibits the statutory auditor or audit firm carrying out statutory audits to provide consulting services to prepare the reporting for companies they audit.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) Do you agree that a level playing field is required for all types of sustainability assurance service providers to ensure high quality services? Why, or why not?
- b) Do you believe that the statutory auditor is best placed to perform assurance engagements on sustainability reporting? Why or why not?
- c) How would you envisage ensuring the level playing field across the EU, which mechanisms should be put in place?

5. ASSURANCE STANDARD

MAIN OBSERVATIONS

The International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* is an established standard that should be considered as a key tool to be ready on time to respond to the assurance requirement as proposed in the CSRD. It features the necessary methodological steps to respond to the assurance demand, either limited or reasonable. It is also publicly available, part of a comprehensive global assurance framework and accepted by the market. Indeed, current assurance practice is already based on this standard in all EU Member States, whether required by law or requested voluntarily by companies⁵.

INSIGHTS FROM PRACTICE

The International Auditing and Assurance Standards Board (IAASB) is an independent organisation that sets high-quality international standards for auditing, assurance, quality control and related services that strengthen public confidence in the global accountancy profession. The international professional standards for assurance address: engagement performance, competence, quality management and ethical requirements, including independence.

The IAASB is not a newcomer to assurance on non-financial information. For years, the IAASB has been active in this area as the landscape has continued to evolve. Issued in 2013, ISAE 3000 (Revised)⁶ applies to assurance engagements on sustainability reporting and is currently a key tool to respond to the demand.

The recently issued guidance from the IAASB, *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Extended External Reporting (EER) Assurance Engagements*⁷, has marked a significant step forward in supporting assurance on non-financial reporting. It responds to ten key challenges commonly encountered in applying ISAE 3000 (Revised) in sustainability assurance engagements. We recognise, however, that additional tailored practical guidance, or a specific assurance standard for sustainability reporting, will be needed in the long run to ensure a level playing field and a consistent approach in the EU.

The following elements would benefit from further guidance:

- understanding the entity and its environment
- assurance on the process to determine the relevant information to include in the sustainability reporting or materiality process
- (types of) procedures to be conducted
- multidisciplinary expertise required
- consider the completeness of the information
- evaluation of the narrative information, its neutrality or lack of bias thereof, additional guidance on materiality and fraud risks in the CSRD context
- forward-looking information

Accountancy Europe will facilitate further exchange of experience regarding the above, acknowledging that sustainability reporting and assurance will be a new territory for many. We welcome the dialogue between the EC, the Committee of European Audit Oversight Bodies (CEAOB) and the IAASB in further developing sustainability assurance standards.

⁵ The survey that we carried out in February 2020 shows that, out of the 26 European countries covered, 14 countries indicated to have companies seeking voluntary independent assurance, all applying ISAE 3000:

https://www.accountancyeurope.eu/wp-content/uploads/Accountancy-Europe-NFI-assurance-practice_factsheet.pdf

⁶ <https://www.iaasb.org/publications/international-standard-assurance-engagements-isa-3000-revised-assurance-engagements-other-audits-or-0>

⁷ <https://www.iaasb.org/publications/non-authoritative-guidance-applying-isa-3000-revised-extended-external-reporting-assurance>

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) Do you concur with our view that ISAE 3000 is the standard to apply in responding to the assurance requirement included in the CSRD? Why, or why not?
- b) Do you think that assurance practitioners would need further guidance or a standard specific to the EU context? If yes, for which level of assurance and in which specific area(s)?

6. PRECONDITIONS FOR AN ASSURANCE ENGAGEMENT

MAIN OBSERVATIONS

It is crucial that preconditions are met before a practitioner can accept any assurance engagement. The IAASB has defined these preconditions in the international assurance framework. They are vital to ensure proper quality of assurance. Some of these preconditions are expected to be fulfilled by the EFRAG standards and the CSRD.

INSIGHTS FROM PRACTICE

The main preconditions regard:

- A. preparation before an assurance engagement can be performed
- B. compliance requirements before accepting the engagement

A) PREPARATION BEFORE AN ASSURANCE ENGAGEMENT CAN BE PERFORMED

Assurance practitioners have to determine whether they can obtain the evidence needed for an assurance engagement before accepting the engagement. This may include considering the process used by management to prepare sustainability information, i.e., if it is sufficiently robust to deliver high-quality information.

Many organisations will be new to reporting sustainability information, where most information will not be part of the accounting, reporting and consolidation systems. This increases the risks of inaccurate or incomplete information.

In a scenario where a company is not yet ready to disclose required sustainability information, the assurance practitioner could be faced with the dilemma of an organisation not being ready to undergo assurance whilst it is a requirement according to law. The practitioner would use professional judgement in the individual circumstances and all stakeholders should understand the practical implications of such situation to manage expectations. This also may lead to assurance reports being modified to a larger extent than for other types of missions. Indeed, due to a different level of maturity in reporting standards and practices, we expect the conclusion for sustainability information assurance to be less binary than the conclusion for financial statements.

B) COMPLIANCE REQUIREMENTS BEFORE ACCEPTING THE ENGAGEMENT

The practitioner should comply with clearly defined fundamental ethical principles. These fundamental principles are laid down in the International Code of Ethics for Professional Accountants⁸ and apply to the accountancy profession in addition to requirements imposed by law or regulation that are at least as demanding.

The assurance practitioner is required to comply with the following fundamental principles of ethics:

1. integrity
2. objectivity, including independence
3. professional competence and due care
4. confidentiality
5. professional behaviour

⁸ as set by the International Ethics Standards Board for Accountants (IESBA)
<https://www.ethicsboard.org/international-code-ethics-professional-accountants>

In case any threat to compliance is identified, safeguards should be put in place.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) How should the immaturity of some companies' sustainability reporting be handled?
- b) Do you think that companies need more time for implementation?

7. CONTENT OF THE ASSURANCE REPORT

MAIN OBSERVATIONS

Users and stakeholders interested in sustainability reporting should be able to understand the assurance report and obtain useful information for their decision making.

Consistency in assurance reports across the EU is crucial for continuous trust and confidence in the assurance work. Therefore, it is important to define elements that should be included: a clear conclusion, an explanation of the inherent limitations encountered, and a detailed explanation of the work performed.

INSIGHTS FROM PRACTICE

Some think that having a specific assurance report for sustainability information will help stakeholders understand its value. Clustering it within the statutory auditor's report may make it less visible. Others believe that readers of corporate reporting will be better served by having the outcome of both in the same report given the desire for connectivity.

Paragraph 69 of ISAE 3000 defines the assurance report's content for any assurance engagement. While this would also apply to assurance report on sustainability information, several elements would need specific attention, for instance:

- a conclusion, i.e.: clean / qualified / partially qualified, e.g., limited on some key performance indicators only / adverse conclusion / disclaimer of conclusion
- a description of the work effort
- respective responsibility of those charged with governance and of the assurance practitioner with information on the independence and quality assurance of the assurance practitioner's firm
- a specification of any significant inherent limitations associated with the assurance

Beyond the assurance report that should be available publicly, practitioners could share feedback on internal control deficiencies or any other matter that they deem necessary, e.g., on governance, reporting process and controls, or environmental, social and governance (ESG) topics that require further management attention. Recommendations or deficiencies would be communicated exclusively to management and those charged with governance. Such recommendations would be most useful for companies to gain maturity on their sustainability reporting.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS

- a) Depending on who should be the assurance service provider, do you think that the assurance conclusion on sustainability information should be part of the statutory auditor's report or as a separate report? Why or why not?
- b) In your view, what should be included in the assurance report?
- c) Beyond the assurance report that is publicly available, do you agree that practitioners could also share feedback as described above with management and those charged with governance?

WAY FORWARD

The CSRD is fundamental to the European transition to a net zero economy. The climate emergency requires urgent action, and the transition will entail fundamental change in policies and business practices. The market needs useful and credible information on sustainability impacts for sustainable decision-making. Therefore, all stakeholders should be striving towards comparable, high quality sustainability reporting and assurance in the EU. As a way forward, all players should take action to achieve that goal – we reflect on those necessary actions below.

THE ACCOUNTANCY PROFESSION

With the expertise gained over more than two decades on sustainability matters and the experience in financial audit and assurance services, the accountancy profession has the systems, internal processes, ethical principles, and quality management in place. Also, the profession has a long history of working with experts and multidisciplinary teams, ensuring a diverse skills base to deliver quality services and meet business needs. A lot has already been done in the past years to address the sustainability agenda. Nonetheless, significant investments are expected in the short term to further develop assurance practices and increase capabilities to respond to increased demand.

ACTIONS FOR ACCOUNTANCY FIRMS:

Promote a multidisciplinary model that is considered as the best path to deliver value-added assurance services.

Develop professional training to ensure that professional accountants become familiar with this emerging area, like accountancy and auditing professional bodies do.

ACTIONS FOR THE ACCOUNTANCY AND AUDITING PROFESSIONAL BODIES:

Develop the necessary education, accreditation, and guidance to make sure professional accountants get to grips with this emerging area of work. Many professional bodies have already taken steps to adapt their education strategy to future demand.

Engage with local policymakers, regulators, investors, and other stakeholders to facilitate the evolution of high-quality reporting and assurance.

ACTIONS FOR ACCOUNTANCY EUROPE:

Engage with policymakers and standard setters and exchange on the accountancy profession's needs to be able to provide high quality assurance services.

Set-up an informal forum to exchange views on sustainability information assurance, for instance, on current challenges, possible differences in practice and ways to address these.

BUSINESSES

ACTIONS FOR MANAGEMENT:

Overcome information silos by integrating ESG data into systems and controls to deliver high-quality, verifiable information. We stress the importance of robust well-functioning systems for any assurance engagement to be possible.

Implement processes and controls to collect data at the same robustness level as for financial information. This applies especially to those companies that were not included in the Non-Financial Reporting Directive 2014/95/EU's scope.

Improve sustainability and financial reporting connectivity to provide decision-useful information and remain fully informative for all stakeholders.

ACTIONS FOR THOSE CHARGED WITH GOVERNANCE:

Provide effective oversight of sustainability information—acknowledge its relevance to strategic decision-making, enhanced corporate reporting, and investor and stakeholder confidence.

Develop sustainability-specific competences and knowledge within audit committees.

Oversee internal control structures over sustainability reporting including IT-systems and infrastructure to include reporting from the whole group.

ACTIONS FOR THE EUROPEAN INSTITUTIONS

Ensure clear European legislation that provides a framework for sustainable corporate governance and a strong basis and support for developing sustainability reporting and assurance. Clear obligations will result in qualitative and comparable information.

A step-by-step implementation of new reporting standards should be foreseen. Equally, the CSRD should clarify expectations and objectives for assurance and its underlying subject matter.

Engage with relevant stakeholders to define a roadmap to move to reasonable assurance. Also, engage in a dialogue with existing standards setters to prepare for adopting appropriate assurance standards.

ACTIONS FOR STANDARD SETTERS

Set the relevant threshold for relevant sustainability reporting within the upcoming sustainability reporting standards. Since 2017, Accountancy Europe has been advocating for the collaboration, coordination and ultimately, the consolidation of all the different sustainability reporting initiatives. The objective should be to produce timely and robust standards, within the scope of the respective EU and international initiatives.

Consider developing further assurance guidance in the short-term to respond to immediate needs for limited assurance engagements. Eventually, consider establishing a standard to cover current developments in sustainability matters and respond to assurance needs, especially when moving towards reasonable assurance.

Standard setters and regulators, as well as reporting entities should support global digital taxonomies.

ACTIONS FOR CEA OB AND/OR NATIONAL OVERSIGHT BODIES

Facilitate harmonisation of assurance on sustainability information provision.

Ensure that professional standards are applicable to all assurance service providers and are consistent across the EU.

Develop effective and consistent public oversight practices for the new assurance requirement within all oversight bodies of Member States.

QUESTIONS FOR FURTHER DISCUSSION WITH STAKEHOLDERS:

- a) Do you identify other player(s)?
- b) What other challenges do you foresee for the various players identified above?



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