

CSRD: STRIVING FOR CONSISTENT AND QUALITY SUSTAINABILITY ASSURANCE ENGAGEMENTS ACROSS THE EU

The CSRD (Corporate Sustainability Reporting Directive) brings in an EU-wide sustainability assurance requirement for the first time ever. The European Commission is expected to adopt assurance standards: limited assurance - before 1 October 2026 and reasonable assurance - by 1 October 2028. The International Auditing and Assurance Standards (IAASB) is working to develop an overarching global standard (ISSA 5000) for sustainability assurance engagements.

MULTISTAKEHOLDER ROUNDTABLE DISCUSSION

Accountancy Europe supports a just and sustainable transition in Europe. It is important to engage on the CSRD assurance requirement with all stakeholders to achieve high quality and consistent assurance across the EU. On 5 July 2023, we hosted a [multistakeholder roundtable discussion](#) on sustainability assurance with key stakeholders such as regulators, standard setters, business and investors associations, independent assurance service providers, NGOs and academics to exchange views on:

- stakeholders' expectations for assurance engagements
- practical implications of the CSRD assurance requirement
- the role of professional assurance standard

We share the **key messages** we heard during the roundtable discussion.

SESSION 1: STAKEHOLDERS' EXPECTATIONS FOR ASSURANCE ENGAGEMENTS

It is important to debate with all stakeholders, including users, what an assurance engagement entails in practice to manage expectations and bridge the expectation gap. In this session, we asked participants about:

- their expectations for sustainability assurance
- key factors for sustainability assurance to meet users' expectations
- ways assurance service providers should address the risk of greenwashing

KEY TAKEAWAYS

- Europe is in a position to show its leadership on sustainability once again. This is, however, a journey which involves opportunities along with challenges.
- The CSRD introduces a limited assurance requirement. But stakeholders still raise questions about what limited assurance really means. The IAASB and the audit profession can help in explaining what a limited assurance engagement entails. Also, it was noted that it will be a big challenge to transition from limited to reasonable assurance engagements.
- There are similarities with, and lessons that can be learnt from, financial reporting and its audit practices. Sustainability assurance providers, however, will need to address risks associated with more qualitative and forward-looking information, and data to be collected by the companies through their value chain.

- Some stakeholders referred to greenwashing as a behavioural rather than technical issue. To mitigate the greenwashing risk, robust sustainability reporting and assurance standards are key. Stakeholders expect the auditor to play a role here, for instance, by checking the usefulness of information reported. But it is also important to manage expectations, for instance, by defining greenwashing or explaining the procedures for assurance engagements. There are also other elements for tackling greenwashing, for example, a company's employees, investors and public pressure and scrutiny of companies.
- The dialogue amongst stakeholders and regulators is very important as it will be challenging for all parties to be fully CSRD compliant in the first years.

SESSION 2: PRACTICAL IMPLICATIONS OF THE CSRD ASSURANCE REQUIREMENT

The CSRD introduced an EU-wide sustainability assurance requirement. However, it is important to consider the practical implications of this new requirement. In this session, we asked participants about:

- defining factors for achieving high quality and consistent assurance engagements across Europe
- if additional guidance on specific areas was necessary
- how assurance service providers should deal with forward-looking information

KEY TAKEAWAYS

- Education and training are key elements to enable the CSRD implementation. Stakeholders noted that companies, assurance service providers and authorities need to upscale their human resources as competence and expertise in this area are scarce for the moment.
- It will be crucial to recognise and focus on progress since it is unlikely that companies are going to be fully ready for CSRD-compliant reporting from year-1. This will inevitably have an impact on the assurance report content which is key to communicate with users. The corporate reporting ecosystem, including the regulatory community, should stay ambitious and engage in a dialogue to learn and improve together.
- Companies would greatly benefit from additional reporting guidance on issues such as double materiality concept, internal controls over sustainability reporting, transition plans. This would also assist assurance service providers in their work, while additional guidance for assurance engagements on matters such as forward-looking information or EU Taxonomy would still be needed.
- Companies should avoid information overload or providing boiler-plate reporting. The information presented to the market should be entity-specific to the maximum extent possible and focus not only on the internal processes but also their outcome. Connectivity between financial and sustainability information is very important to give a full picture of the company's viability and performance.

SESSION 3: ROLE OF PROFESSIONAL ASSURANCE STANDARD(S)

Applying a widely accepted and recognised professional assurance standard is necessary to achieve quality and consistency of assurance engagements. In this session, we asked participants about:

- pros and cons of having a national, European or global standard for sustainability assurance and relevant ethical requirements, including independence
- whether the assurance standard should include high level principles or prescriptive rules on how to plan, execute and report the results of the engagement
- how to ensure the scalability and proportionality of the requirements so that the standard can be applied for companies of all sizes

KEY TAKEAWAYS

- Stakeholders agreed that having global assurance and ethical standards as a baseline is vital for ensuring consistency and efficiency of the sustainability assurance engagements in Europe. Assurance standard can also help in tackling the greenwashing risk.
- The European and national specificities could be addressed via additional guidance, standards, and other supporting material on matters such as EU Taxonomy and digital tagging.
- The assurance standards should be principles-based, profession-agnostic and reporting framework-neutral. Ethical rules are an integral part of both reporting and assurance frameworks.
- Potential areas where the assurance standard may provide specific guidance include how to evaluate companies' processes for identifying the material sustainability information to be reported and how to test completeness of disclosures.
- Stakeholders are invited to respond to the upcoming exposure draft of ISSA 5000 to provide feedback on how the draft standard can be improved to serve as a basis for assurance engagements in Europe and beyond.