

SUSTAINABILITY STATEMENTS BASED ON ESRS: "COMPLIANCE" OR "FAIR PRESENTATION"?

INTRODUCTION

As of 1 January 2024, companies in the EU must prepare sustainability statements based on European Sustainability Reporting Standards (ESRS)¹. However, stakeholders hold opposing views on whether the statements should be prepared using a "compliance" or "fair presentation" framework. EFRAG's draft amended ESRS Exposure Drafts of 31 July 2025² clarify that the standards are intended as a fair presentation framework. Still, the debate continues.

This paper outlines the issues at stake, the differences between the two frameworks, and explores what it means for sustainability reporting and sustainability assurance. It aims to support ongoing discussions on the European Commission (EC) Omnibus proposals for the Corporate Sustainability Reporting Directive (CSRD) of 26 February 2025³ as well as EFRAG's consultation on the draft amended ESRS.

Until now, we are only aware of sustainability statements based on ESRS and their assurance reports prepared using a compliance framework basis. For ESRS reporting and assurance thereon to provide a fair presentation conclusion in the future, several prerequisites should be fulfilled, requiring changes to the currently applicable CSRD⁴ and ESRS by the EU institutions, especially the European Parliament and Council.

COMPLIANCE OR FAIR PRESENTATION FRAMEWORKS

Compliance framework

A compliance framework mandates a company to meet the requirements of the law, the regulation and/or the framework or standards.

Examples of compliance frameworks are the European Banking Authority (EBA)'s prudential regulations (e.g. CRD/CRR) or the European Insurance and Occupational Pensions Authority (EIOPA)'s Solvency II.

Fair presentation framework

A fair presentation framework also requires compliance with law, regulation, framework or standards but in addition, it requires the company to:

- Provide information beyond that specifically required by the compliance framework, if necessary to provide a more complete picture to achieve fair presentation, and/or
- In rare cases, depart from a (individual) requirement of the compliance framework (disclose more or less information) if necessary to achieve overall fair presentation. This may be required when adhering to the rule would result in incomplete or inaccurate disclosures or reduce usefulness or relevance to stakeholders.

¹ <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772>

² <https://survey.alchemer.eu/s3/90874765/Amended-ESRS-Exposure-Draft-July-2025-Public-Consultation-Survey>

³ <https://accountancyeurope.eu/publications/omnibus-explained-key-changes-to-csrd/>

⁴ <https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng>

Examples of fair presentation frameworks are the International Financial Reporting Standards (IFRS) as issued by the IASB and the IFRS Sustainability Standards as issued by the ISSB.

CSRD'S REQUIREMENTS

Articles 19a and 29a on *(Consolidated) Sustainability reporting* and 29b on *Sustainability reporting standards* in the **CSRD do not explicitly specify whether a compliance or a fair presentation framework should be applied in the preparation of EU sustainability reporting.**

ESRS REPORTING FRAMEWORK

Current ESRS (2023)

The current ESRS leave room for interpretation:

- 1) ESRS 1 *General requirements* (ESRS 1) states that the ESRS' objective is to disclose sustainability information in accordance with the CSRD. In addition, all disclosure requirements in ESRS 2 *General Disclosures* are mandatory. This would ordinarily mean a compliance framework.
- 2) But the company should report entity-specific information, if material, that respects qualitative characteristics such as relevance, faithful representation, understandability and verifiability. The objective of ESRS 1 is also to provide users the ability to understand material impacts, risks and opportunities (IROs). This normally hints at a fair presentation reporting framework.

Draft amended ESRS (31 July 2025)

Although the EC Omnibus proposals for CSRD are silent on this matter, the EFRAG **draft amended ESRS** (but not yet approved by the EU institutions) **explicitly confirm that the amended ESRS are a "fair presentation" framework** in ESRS 1 *General Requirements*, paragraphs 16 to 19.

Although there were no dissenting views on the draft amended ESRS within EFRAG, some EFRAG Technical Expert Group (TEG) and Sustainability Reporting Board (SRB) members have reservations⁵ on the fair presentation requirement noting that it would:

- go beyond the CSRD which did not introduce a fair presentation framework
- create a risk of interpretation on how to apply double materiality considering entity specific disclosures
- be premature to introduce fair presentation for impact materiality
- place greater responsibilities on company boards as they would have to demonstrate that the information is fairly presented for all relevant stakeholders. Without well-defined boundaries, it would make the scope of disclosures virtually unlimited and significantly expand the number of entity-specific datapoints
- complicate assurance of sustainability reports given the lack of a common European sustainability assurance standard
- significantly increase responsibilities for companies' auditors
- increase the risk of litigation because of challenges to the adequacy of disclosures

Other members argue in favour of the fair presentation framework as follows:

- many other reporting frameworks including ISSB sustainability standards are fair presentation frameworks
- it reduces the risk of over-burdening reporting associated with a compliance exercise

⁵ See [Amended ESRS Exposure Draft July 2025 Basis for Conclusions.pdf](#), due process approval notes Appendix 1 & 2

- the EC considers there are more elements in the CSRD to conclude on fair presentation than on compliance

IMPACT ON SUSTAINABILITY ASSURANCE

Article 34 (aa) on *Auditing and assurance of sustainability reporting, General requirements* in the CSRD requires limited assurance on sustainability reporting. It requires to express a **limited assurance opinion as regards the compliance of sustainability reporting with ESRS, compliance with the process of double materiality assessment, compliance with (digital) mark-up and compliance with Article 8 of the EU Taxonomy Regulation. There is only reference to compliance conclusions, but no reference to fair presentation conclusions, for sustainability assurance in the CSRD.** However, the EC refers to fair presentation conclusions for sustainability assurance in its non-binding FAQs on implementing CSRD⁶.

The EC Omnibus proposals for CSRD do not amend the above-mentioned sustainability assurance requirements.

PREREQUISITES FOR FAIR PRESENTATION

The following prerequisites would need to be fulfilled:

	Current status	Prerequisites fulfilled?	Changes needed
Law / CSRD			
Sustainability reporting	No fair presentation requirement	X	Amend CSRD legal text
Sustainability assurance	No Fair presentation conclusion	X	Amend CSRD legal text
Standards			
Sustainability reporting	Draft amended ESRS include fair presentation	✓ in draft amended ESRS	Adopt draft amended ESRS including ESRS 1, Chapters 2 and 3
Sustainability assurance	CSRD requires compliance conclusions	X	Amend CSRD legal text
Company responsibility	Draft ESRS do not explicitly ask governance bodies to state fair presentation	Implicit in draft amended ESRS	Adopt draft amended ESRS to include a disclosure requirement with basis of preparation that refers to fair presentation

AUDIT AND ASSURANCE PROFESSION'S ROLE IN PROVIDING A FAIR PRESENTATION CONCLUSION

The audit profession has a long history in auditing financial statements prepared based on fair presentation frameworks, like the IFRS. A fair presentation conclusion for sustainability assurance on ESRS sustainability reporting is possible when certain prerequisites are fulfilled, as stated above.

⁶ See https://finance.ec.europa.eu/publications/frequently-asked-questions-implementation-eu-corporate-sustainability-reporting-rules_en, Question 70

International Standard on Sustainability Assurance (ISSA) 5000 *General requirements for Sustainability Assurance Engagements*⁷ allow for both sustainability assurance under compliance and fair presentation sustainability reporting frameworks.

NEXT STEPS

If fair presentation for ESRS reporting and fair presentation conclusions for sustainability assurance are the EU goals, then the CSRD and ESRS should formally require this. Therefore, the currently applicable CSRD and ESRS should be changed by the European Parliament and Council, as suggested in the table above. Clear rules without room for interpretation would be beneficial for all parties involved.

⁷ [International Standard on Sustainability Assurance 5000. General Requirements for Sustainability Assurance Engagements | IAASB](#), see under Criteria on page 11 and under Concluding on page 52