

Considerations for companies' sustainability reporting under the CSRD

Following the recent adoption of national legal and regulatory requirements implementing the EU Corporate Sustainability Reporting Directive (CSRD) and the ongoing publication of implementation guidance, companies should assess whether to make users of their sustainability statement aware of company-specific and temporary interpretations or uncertainties associated with the preparation of their sustainability information. The purpose of including this information in the sustainability statement is to address the public interest by enabling users to better understand the specific significant judgements made and circumstances under which the sustainability statement has been prepared.

However,

- it is expected that uncertainty will diminish over time and therefore one should expect to see this type of information less frequently after the first year(s) of application of the CSRD, if at all; and
- communication of any such specific circumstances does not reduce the responsibility of companies to prepare and report sustainability information in accordance with ESRS. This does not serve as a point of reference to lower efforts to prepare compliant sustainability statements.

Potential interpretations and uncertainties that companies should assess whether to communicate in their sustainability statement include the following, recognizing though that any comments on such interpretations and uncertainties would have to reflect the specific circumstances of the company:

- wording to explain that notwithstanding any uncertainties highlighted, the sustainability statement was prepared and presented in accordance with the requirements of the ESRS and applicable legislation;
- the sustainability statement should state the key interpretations and uncertainties that are important to the user's understanding;
- a better understanding of the requirements may be available when additional implementation guidance or Q&A will be available;
- estimates may be refined in future reporting periods when more relevant information becomes available;
- there may be limited information to assess some industry benchmarks (to be specified) and these may only emerge as the number of reporters increases and reporting practices become more established;
- internal control practices related to sustainability reporting are being strengthened further;
- comparatives progressively available after the first year of reporting would make the information more useful; and
- the sustainability statement should disclose any key judgements made and thresholds used in applying the materiality assessment process. It is expected that the materiality assessment process will be refined over time.

The assurance provider will in turn assess any such statement on specific and temporary interpretations and uncertainties associated with a company's preparation of its sustainability statement and may decide, based on professional judgment, to draw users' attention to this statement through an emphasis of matter paragraph. Any such emphasis of matter paragraph does not replace a qualified conclusion, an adverse conclusion, or a disclaimer of conclusion, where this is required in application of assurance standards; only the applied assurance standards remain the basis for drawing a conclusion.