CSRD PRACTICE FORUM MEETING – 4 APRIL 2025

Accountancy Europe and the European Contact Group (ECG) organised a third (invitation-only) meeting to exchange views on implementation of the Corporate Sustainability Reporting Directive (CSRD) in Brussels on 4 April 2025. As on previous occasions, the CSRD Practice Forum provided a vital opportunity to discuss the experiences and challenges of preparers, assurance providers, users, standard setters, regulators and enforcers.

With the first 'wave one' CSRD reports being published – and against the backdrop of the proposed simplification 'Omnibus' package (see more details for CSRD and ESRS) published by the European Commission in February 2025 – the constructive dialogue centred on what worked and what needs fixing. The Practice Forum was held under the Chatham House Rule.

REFLECTIONS ON THE FIRST WAVE OF CSRD REPORTING

In seeking to identify what has worked well, it is important to remember the original intent behind the CSRD. The EU ambition to be carbon-neutral by 2050 requires better quality disclosures by entities enabling better decision-making and a better allocation of capital to support the clean transition. As such, the first CSRD reports being published show that companies have taken the process extremely seriously, working hard to apply the new framework. The first reports are sizeable and of good quality – including from companies in member states which have yet to transpose the CSRD into national law.

The first year of CSRD reporting has not been easy. The introduction of a new complex framework finalised only six months before application with guidance issued during the reporting year, the lack of an assurance standard and inconsistent transposition across the EU – all created multiple challenges. There have been multiple practical difficulties, associated with the tight timeline, the double materiality assessment (DMA) process and impact materiality in particular, the need to deal with the value chain, the number of IROs and datapoints as well as transition plans and the new reporting boundaries for climate. Companies are struggling to communicate with a broader range of stakeholders to still tell their story – including their forward-looking journey. They face difficulties in balancing risks and opportunities, while also being able to integrate their story into the main annual report. The CSRD has thrown up challenges for some companies seeking to continue with an integrated report.

There have been tensions between companies and their assurance providers, reflecting differing interpretations and approaches. Auditors have tried to fulfil their role, in many cases ensuring early and ongoing engagement with audit committees and management. The application of auditors' professional judgement and scepticism is key to supporting high quality and reliable disclosures. There has been a significant amount of work between ECG members and Accountancy Europe member bodies, to try to maintain consistency. Internal auditors also play a key role; there are opportunities for better cooperation between internal and external auditors.

The second year of CSRD reporting is likely to be significantly different. The DMA process will be more embedded and better understood, comparatives and benchmarks will start to be available.

This will also impact the assurance process. Companies, with their assurance providers, should take the time to undertake their own post-implementation reviews. This can help identify and address the pressure points, building on existing dialogue to identify improvements for next year. Professional bodies can also facilitate such learning exchange.

THOUGHTS ON THE OMNIBUS PROPOSALS

The Omnibus package is a sign that something has gone wrong. Trust has been damaged. If the EU is going back to the drawing board, then it must come out with a better outcome. The substantive Omnibus proposals (and associated streamlining of the first set of European Sustainability Reporting Standards, ESRS) need to follow proper due process to deliver an improved framework which continues to meet the original objectives of the legislation.

This also means reflecting on what good looks like. What characterises a high-quality sustainability report? Beyond meeting legal requirements, a quality report must be able to focus on what is important, facilitating conversations within companies to help shift business strategy and processes. At the same time, reports must enable companies to also communicate effectively with their key stakeholders, including financing partners, customers, suppliers and employees. Stakeholders want to understand companies' sustainability journeys – where they are going, not just where they are now.

Quantity without quality is unhelpful. The length of reports (from 29 to 456 pages according to first analysis by Accountancy Europe) varies significantly – and may be indicative of different interpretations and approaches by both companies and assurance providers. Keeping it relevant given the significant volume of datapoints is challenging. Such diversity is unlikely to help comparability. Most Sustainability Statements were prepared under the ESRS, with some incorporating other frameworks and only a few following alternative regimes in non-CSRD countries. The analysis also shows that assurance was primarily conducted under ISAE 3000, with the rest using national assurance standards. Sustainability assurance fees averaged 19% of financial statement audit fees. A limited number of qualified conclusions; this may change as more reports are published. Such qualifications relate to scope 3 issues, non-compliance with methodology, failures to report on required metrics (ESRS E5-4) and compliance failures in relation to the EU Taxonomy.

The use of emphasis of matter paragraphs is an important outcome. These are not hidden qualifications but a way of drawing attention to issues that are properly disclosed in the sustainability report. The analysis by Accountancy Europe points to several key matters, including basis of preparation, forward-looking information, third-party data, first ESRS reporting, comparative information and the lack of historical data. The wording shared by the ECG in October 2024 on considerations for companies' sustainability reporting in the first years of CSRD application has been helpful.

The fact that the first published reports do not all look the same may also be positive. Companies are trying to find the best approach to showing their material topics and explaining how they look at their identified IROs. There needs to be a collective endeavour to figure out what are the good practices and the innovative approaches from the first wave. Feedback from investors will also be vital in this respect. The same applies to assurance reports with different approaches taken at member state level, including with regard to the number of separate conclusions.

A pragmatic way forward is needed, focused on the most relevant and material information and accompanied by a more flexible approach to disclosures. Some may welcome focus on a limited number of datapoints, but there may be drawbacks to focusing only on quantitative data. Qualitative disclosures may help underpin the narrative – and might be particularly important for broader stakeholders. The concept of value chain requires further thought. Other critical points to address as part of the Omnibus discussions include addressing inconsistencies across different EU legislative acts, providing greater clarity on application via guidance and embedding real transitional provisions into the legislation. The impact on the broader sustainable finance disclosure chain must be factored in. The proposed change in scope could have damaging unintended consequences by creating a significant threshold of 1000 employees which companies of a certain size may try to remain under.

Greater international interoperability is needed. As is sector guidance, leveraging SASB standards, even if sectoral ESRS are no longer on the table. Maintaining the connectivity between companies' financial and sustainability reporting is key. Investors are likely to pay greater attention to this in the future. It may be useful to better distinguish between disclosures that are investor relevant and those that are more relevant to other stakeholders.

Against a deteriorating geo-economic situation, there are concerns about the implications of the US 'ESG pull back' on companies' CSRD reporting. Greater consideration must be given to protecting commercially sensitive information. Could the DMA process itself become a risk? Might disclosures lead to pushback from customers in non-EU jurisdictions? Similarly, companies may find it increasingly difficult to deal with forward-looking data in a rapidly changing global context. Sustainability reporting in this new environment must be about value creation, enabling companies to show how their decarbonisation efforts, their focus on human capital links or their approach to good governance link back to their resilience and profitability. The pendulum has swung away from a focus on transparency to a focus on flexibility and resilience. The EU needs to move towards an economic growth mindset when regulating.

The lack of a European limited assurance standard is not helpful. Despite the Omnibus proposals, there are many who would prefer that the Commission move ahead with an EU standard rather than non-authoritative guidance. The concepts of limited and reasonable assurance continue to confuse. Steps could be taken to enhance a common understanding of what limited assurance is. Guidance may also need to address issues relating to the DMA process. One regulator questioned the wisdom of deleting the provision on reasonable assurance, noting that this would be unthinkable for financial reporting.

EFRAG has been given the mandate to simplify the first set of ESRS. This is not a straightforward exercise. In a simplification drive, what gets prioritised? Possibilities could include weighting the effort of collecting data against value creation, questioning the level of disaggregation, considering the ease of providing assurance as well as greater international alignment. Less might be more if the focus remains on what is key. Overall ESRS focus too much on disclosures and not enough on measurements. Including a dashboard in the sustainability report, similar to the balance sheet in financial reports, might be helpful for readers. The ECG issued some suggestions in February on how to ease the burden of reporting, looking at ESRS as well as the EU Taxonomy. ESRS might not have been proportionate. For some, the Omnibus proposals are also not proportionate. It is vital to avoid 'throwing the baby out with the bathwater.'

LOOKING FORWARD

The open and transparent discussion, enabling participants to share and to hear very different perspectives, from different jurisdictions and backgrounds, was welcomed by all. It will be critical to continue to learn from first CSRD experiences and best practices across the sustainability reporting ecosystem to make the necessary adjustments to the framework. The Omnibus proposals provide an important opportunity to focus on fundamental principles and objectives, while recalibrating volume and content.