



# FEEDBACK ON THE EUROPEAN COMMISSION'S PROPOSAL FOR A CORPORATE REPORTING SUSTAINABILITY REPORTING DIRECTIVE

Issued 14 July 2021

ICAEW welcomes the opportunity to provide feedback on the Proposal for a Corporate Sustainability Reporting Directive (CSRD) adopted by the European Commission on 21 April 2021, a copy of which is available from this [link](#).

ICAEW is listed in the EU Transparency Register (ID number: 7719382720-34).

This response of 14 July 2021 has been prepared by the ICAEW Europe Region Office and the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues. It makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides a range of services to its members including assistance with common reporting problems.

ICAEW has had a presence in Brussels since 1994, providing technical advice across a broad range of EU regulatory matters and facilitating dialogue among stakeholders on key public policy issues. Headquartered in Brussels, the ICAEW Europe Region engages with professional bodies, firms, oversight authorities and market participants across Europe and approximately 5,000 ICAEW members in EU member states outside the UK.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 157,800 chartered accountant members in over 147 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

## FEEDBACK STATEMENT

ICAEW welcomes the opportunity to provide feedback on the CSRD proposals, published on 21 April 2021. Building more sustainable and resilient net-zero economies calls for a fresh look at corporate reporting: the proposals address important issues around sustainability reporting, standards and assurance.

While the proposals will be of particular interest to EU countries, companies and stakeholders, the issues addressed are of keen international concern. EU legislative change will provide an important reference point for other jurisdictions.

### The purpose of reporting

We support the move towards a corporate reporting system that fully encompasses financial and sustainability reporting. Extending the scope and requirements of the NFRD should help to significantly improve the depth and quality of sustainability information.

It is vital to retain clarity over the ultimate objective of sustainability reporting, i.e. producing information that can help with efforts to address environmental and social challenges. This requires sustained focus on areas where there is wide demand from businesses and stakeholders to deal with practical information needs. This will be particularly important as more companies start to fall under the direct or indirect remit of the proposed CSRD, including SMEs.

### Standardisation

The cornerstone of the proposals is the mandatory requirement for listed and large entities in the EU to report detailed sustainability information covering their whole value chain. This will be a significant change for many entities, including those coming within the scope of the legislation for the first time. There will need to be consideration from the start as to how to support them in building up capacity and understanding.

The draft CSRD calls for such information to be prepared according to EU sustainability reporting standards, to be developed by EFRAG. The breadth and depth of the suggested standards – and the timetable outlined – are extremely ambitious. Meeting such ambitions will require the support, experience and expertise of existing sustainability reporting initiatives and standard-setters. The development of high quality and proportionate standards in the public interest must also be underpinned by a rigorous and transparent due process.

### International alignment

We strongly support the development of international sustainability reporting standards and encourage all parties to continue to accelerate work towards this goal. A global baseline of standards can provide a helpful common solution that is scalable and facilitates global comparability, without preventing individual jurisdictions from addressing specific policy objectives. For this to happen, all parties need to work together to deliver meaningful and globally-consistent change with the urgency and scale required. This may require some organisational experimentation to find the most appropriate way of involving different parties. Transparency of work, avoidance of duplication and the search for early consensus will be key, especially in relation to proposed climate standards. Some additional, practical suggestions are set out in our related paper, available [here](#).

### Reliability

We welcome the attention paid to reliability, with the proposed introduction of mandatory sustainability assurance. A phased approach, starting with limited assurance and moving over time towards reasonable assurance, seems sensible. Making assurance more commonplace will require some basic challenges to be addressed, including strengthening control systems and enhancing the skills of boards and audit committees. These are not quick fixes and may require significant investment by some organisations.

Ensuring proper application and consistent enforcement is an essential corollary of good reporting. As recognised by the draft CSRD, a robust regime will eventually be needed to realise the full benefits of this enhanced reporting regime.

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