



Preparing CSRD Sustainability - Areas of Focus / Common pitfalls

February 2025

CSRD Sustainability Statement – Key Areas of Focus for the Management Boards





Key Areas of Focus to be considered by the Management Boards of the Reporting Entity

The Management of the Reporting Entity faces many difficulties when preparing the CSRD Sustainability Statement. These specific areas of focus will be dicussed in detail on the following slides of the presentation and reflect the stages of the preparation process.

1	Reporting strategy and approach considerations
2	Double Materiality Assessment Process (DMA)
3	European Sustainability Reporting Standards (ESRS)
4	EU Taxonomy





Reporting strategy and approach considerations

01

Has the entity performed an analysis related to the **scope of the CSRD**? Has the entity walked through its organizational chart of entities and explained how it has determined which subsidiaries are within the scope of the CSRD on the basis of the relevant criteria? Has the entity considered the differing country-specific requirements, if applicable?

02

If there are entities within the CSRD's scope, has the entity determined how they will report? Has the entity engaged with the auditor and/or assurance practitioner on decisions relating to the **reporting approach** (e.g., group vs. subsidiary)?

03

Has the entity considered the **governance process** for sustainability reporting? How will key decisions and judgments be made? Will they follow a similar process as for accounting judgments and policy choices?

04

Does the entity intend **to design and implement the double materiality assessment** internally or engage a third party? How will the double materiality assessment be integrated into existing ERM processes? Has the entity considered the **value chain mapping** and the **approach to disaggregation** for purposes of the double materiality assessment?

05

How does the entity plan to get ready for CSRD reporting? Has the entity performed any **readiness assessment** for reporting under ERS? Has the entity performed a **gap analysis** of any current sustainability reporting against the ERS requirements and **assessed its processes and controls** for the compilation and reporting of information?





Overview: Double materiality assessment (DMA) process



Areas of Focus:

- Engagement with affected relevant stakeholders
- Appropriately considered entity-specific topics in the DMA process
- Qualitative and quantitative thresholds
- Appropriate level of disaggregation to allow for the unbiased identification of material IROs
- Sufficient rationale and evidence to support Management's decisions
- Formal processes and controls



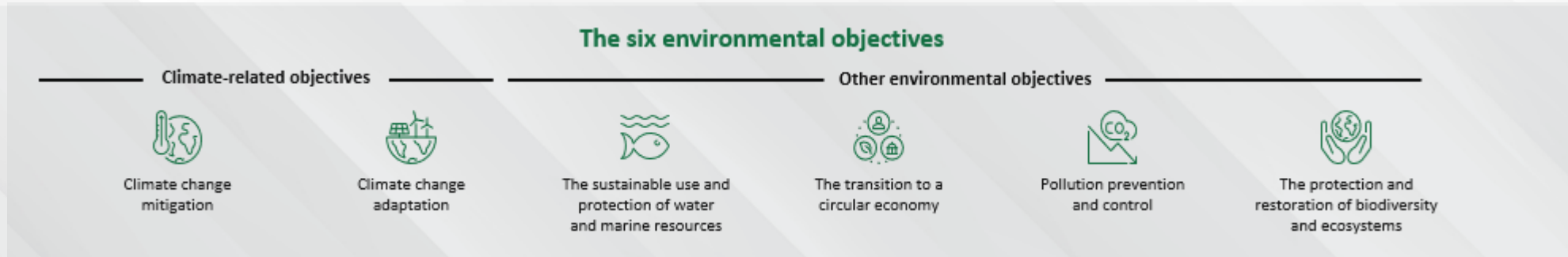
Overview: European Sustainability Reporting Standards (ESRS)



Environment	E1. Climate change	E2. Pollution	E3. Water and marine resources	E4. Biodiversity and ecosystems resources	E5. Circular Economy	
Social	S1. Own workforce		S2. Workers in the value chain		S3. Affected communities	S4. Consumers and end-users
Governance	G1. Business conduct					

Areas of Focus:

- Robust process for compiling sustainability information across the organization
- Appropriate level of subject matter knowledge
- Appropriate level of disaggregation (e.g., group vs. subsidiary vs. specific sites)
- Entity's policies consistently applied
- Targets set by management are measurable and outcome-oriented; targets regarding prospective information are realistic
- For information from its upstream and downstream value chain, estimates should be based on available information and reasonable judgement
- Conventions used for financial disclosures are consistent between financial statements, ESRS disclosures, and EU Taxonomy disclosures



Areas of Focus:

- Disclosure obligations based on whether they are a financial undertaking, non-financial undertaking, or a mixed group of both?
- Adequately documented assessment which economic activities qualify as eligible and aligned, ensuring that all relevant activities are included and evaluated
- Implementation of appropriate processes and systems that gather the data required to meet the criteria and definitions as set out by the EU Taxonomy Regulation (controls implemented should ensure accuracy, completeness, and traceability of the data)
- Involvement of experts, both internal and external, to evaluate the eligibility and alignment of economic activities

CSRD Sustainability Statement – Common Pitfalls noted by Assurance Practitioners





Common pitfalls when preparing the CSRD Sustainability Statement

- 01** Lack of Stakeholder Engagement:
Not involving key stakeholders in the reporting process, which can result in missing important perspectives and insights
- 02** Inadequate Materiality Assessment:
Not properly identifying and prioritizing the most significant sustainability issues relevant to the business and its stakeholders
- 03** Insufficient Integration:
Treating sustainability reporting as a separate activity rather than integrating it into the overall business strategy and operations
- 04** Poor Data Quality/Incomplete Data:
Reporting data that is not reliable, consistent, or verifiable, which can undermine the credibility of the report
- 05** Lack of Clear Metrics Definitions:
Insufficient or not clear definitions relating to Metrics calculations
- 06** Overlooking Future Trends:
Ignoring emerging trends and sustainability risks that could impact the business in the long term
- 07** Poor Communication:
Using overly technical or vague language that can make the report difficult to understand for non-expert stakeholders.





CSRD resourcing and support

Such is the scale and scope of CSRD that few companies are attempting it without external support, and all are recognizing the need for increased internal staffing and budgets. While there are support options, they need to be considered carefully as laws and regulations may prohibit the provision of certain services, including readiness services, by the same firm performing the assurance engagement.

Internal resourcing

What you need to know:

- Many are seeing annual CSRD reporting resourcing requirements like the resources required for financial reporting
- Collaboration across the organization is necessary to capture synergies and accurately reflect information across the sustainability statement and financial statements. Strongly consider whether all appropriate parties are included in the processes and controls for reporting the sustainability information (accounting, finance, tax, internal audit, sustainability experts)
- The skillsets needed are a combination of sustainability subject matter expertise and deep knowledge of controls and regulatory reporting (as typically found in finance professionals)

External support - assurance readiness

What you need to know:

- CSRD is multi-faceted and complex. Many organizations are seeking external advisory services in a range of areas, such as designing and implementing DMA processes
- Whether or not an advisory firm is leveraged, management is ultimately responsible for the Sustainability Statement, including key decisions, outcomes of the phases of work, and the appropriateness of evidence obtained and provided to the assurance provider

External support - assurance

What you need to know:

- CSRD requires sustainability reporting to be subject to limited assurance, which is to be carried out by a statutory auditor or an Independent Assurance Services Provider (IASP) where allowed by an EU Member State
- There are significant synergies to be gained from using your statutory auditor, e.g., on the EU Taxonomy reporting and ESRS financial denominators
- The overall level of information to be provided and the speed of implementation is ambitious, particularly for the early years of CSRD sustainability reporting. As such, the profession believes it is very likely that we will see an increase in assurance reports with modifications.



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