P+
SPECIAL
Year 21
Week 25 | 2023

Reporting obligation for 50 thousand companies on sustainability of economic activities


16.12.2022 EN Official Journal of the European Un

DIRECTIVES

DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAM

of 14 December 20

amending Regulation (EU) No 537/2014, Directive 20
2013/34/EU, as regards corpora

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Whereas:

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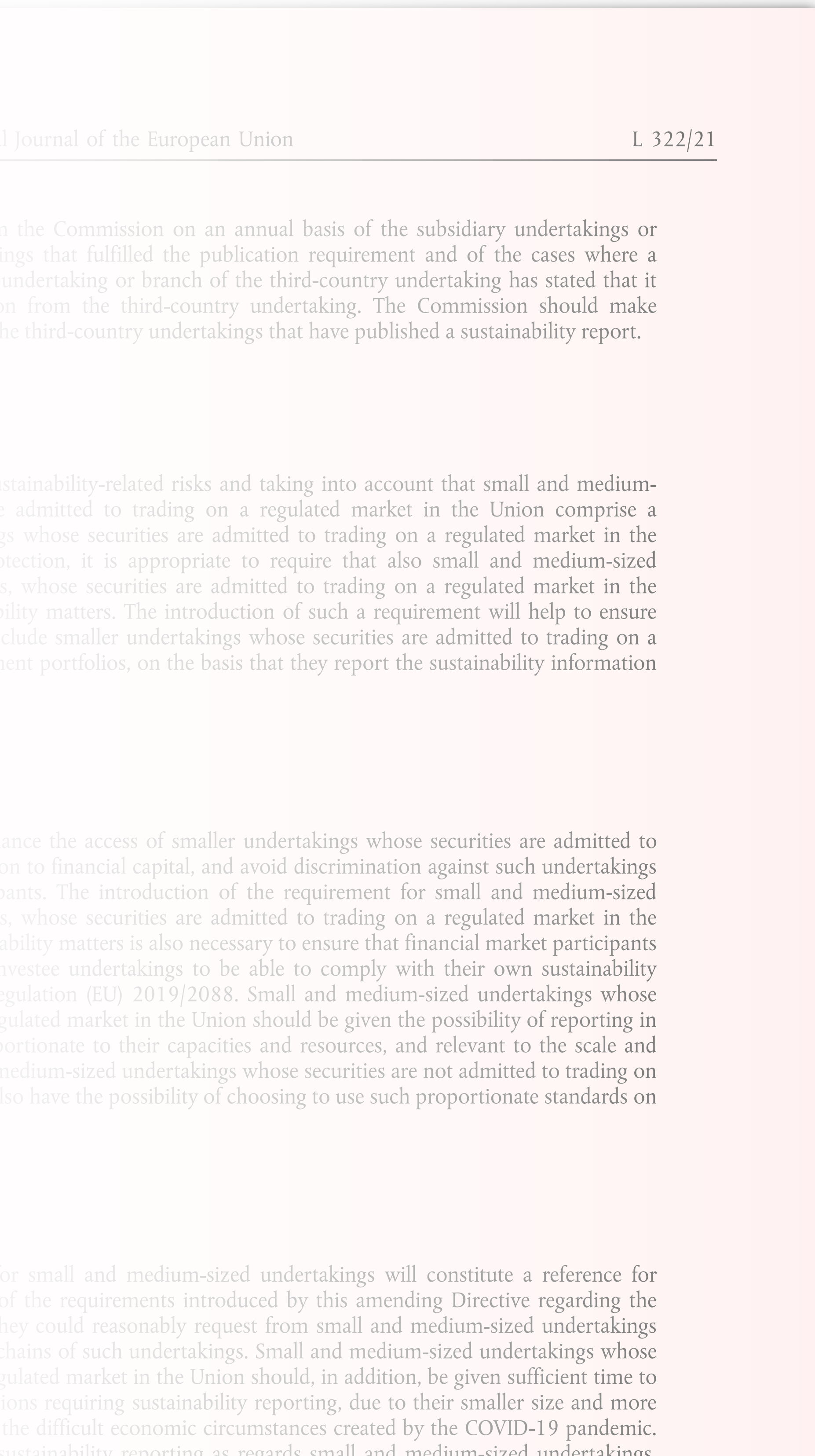
First page of the Corporate Sustainability Reporting Directive (CSRD)

Dutch lawyer Lara Muller helped create this Directive

Panic among accountants and SMEs

Panic throughout Europe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n the Commission on an annual basis of the subsidiary undertakings or
ings that fulfilled the publication requirement and of the cases where a
undertaking or branch of the third-country undertaking has stated that it
n from the third-country undertaking. The Commission should make
he third-country undertakings that have published a sustainability report.

stainability-related risks and taking into account that small and medium-
e admitted to trading on a regulated market in the Union comprise a
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tection, it is appropriate to require that also small and medium-sized
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ent portfolios, on the basis that they report the sustainability information

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on to financial capital, and avoid discrimination against such undertakings
pants. The introduction of the requirement for small and medium-sized
s, whose securities are admitted to trading on a regulated market in the
ability matters is also necessary to ensure that financial market participants
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gulation (EU) 2019/2088. Small and medium-sized undertakings whose
gulated market in the Union should be given the possibility of reporting in
portionate to their capacities and resources, and relevant to the scale and
medium-sized undertakings whose securities are not admitted to trading on
lso have the possibility of choosing to use such proportionate standards on

or small and medium-sized undertakings will constitute a reference for
of the requirements introduced by this amending Directive regarding the
hey could reasonably request from small and medium-sized undertakings
chains of such undertakings. Small and medium-sized undertakings whose
gulated market in the Union should, in addition, be given sufficient time to
ions requiring sustainability reporting, due to their smaller size and more
the difficult economic circumstances created by the COVID-19 pandemic.
stainability reporting as regards small and medium-sized undertakings

And suddenly it is an obligation, from Europe. Some 50 thousand companies are obliged to start reporting on sustainability. Including the large group of SMEs. Starting next year, in 2024, the first round of companies must begin collecting sustainability data. In 2025, the figures should be included in the annual report over 2024. This is resulting in panic among companies and their accountants, who are not yet ready for this compulsory Corporate Sustainability Reporting Directive (CSRD). Dutch CSR specialist Lara Muller helped develop the directive upon the European Commission's request.

Lara Muller understands like no other how far-reaching the consequences of the European CSRD directive will be. Sustainability reports will no longer serve just as marketing tools - they will be subject to clear requirements for the provided data. "This marks the end of greenwashing," is how she explains it.

"Yes, and companies are panicking," Muller confirms. "There is major unrest in the business industry that is being confronted with it. This has various reasons. Firstly, the range of the CSRD is much broader than the current reporting obligation. Now it's only the listed companies who are required to report on their sustainability policy; they are subject to the Non-Financial Reporting Directive (NFRD)."

"What is happening to us?"

This earlier European legislation dating back to 2015 applied to some 1 thousand companies. With the CSRD, this is expanded to nearly 50 thousand.
Muller: "This means that the group of applicable companies is significantly expanded with the CSRD, and this includes the large group of SMEs. A great number of companies is being confronted with a reporting obligation that they never really

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Who is Lara Muller?

Lara Muller (1974) is Director Public Sector at Invest International, the investment company that finances projects that help realise the SDGs in developing countries; the SDGs 8 (Decent Jobs) and 13 (Climate Action) in particular. Invest International is owned for 49 percent by FMO, the Dutch development bank, and for 51 percent by the Dutch Ministry of Finance.
Previously, Muller was vice-chair for the International Business Committee of the Dutch employers' organisation VNO-NCW and served as Head of Public Affairs at dredging company Boskalis for six years. She participated in the 'Creating Shared Value' strategy programme at Harvard University held by management guru Michael E. Porter, and has been teaching at Nyenrode Business Universiteit for ten years. She has also been teaching students of the Impact Centre Erasmus for several years, preparing them for upcoming stricter regulations for sustainability reporting. In this interview, Muller speaks on her own behalf.

Lara Muller: "Companies must start reporting which percentage of their turnover is in line with the EU sustainability criteria."

Traditional financial accounting developed over a period of many centuries, starting with the trade guilds and merchant's houses in the fourteenth and fifteenth century who developed detailed accounting systems to monitor transactions and financial positions.

WHAT ARE THE 6 GOALS OF THE 'EUROPEAN TAXONOMY'?

This EU directive defines six environmental goals:

- **Climate change mitigation**
- **Climate change adaptation**
- **The sustainable use and protection of water and marine resources**
- **The transition to a circular economy**
- **Pollution prevention and control**
- **The protection and restoration of biodiversity and ecosystems**

had on their radar. So indeed, many of them think 'what's happening to us?' Imagine, when you're a company with 250 to 500 employees - which may seem like a lot to an outsider - it doesn't mean you have a full reporting department, like international Dutch companies such as Ahold or ABN AMRO bank. For those people this is completely new. They just don't have the people or the knowledge right now. They are wondering how they are going to manage."

"Secondly, the CSRD is linked to the European Taxonomy. This is a classification system, or more like an encyclopaedia. For two years, I served as advisor to the European Commission. Eventually, 50 people were selected from 7000 applications to take a permanent position within the Platform for Sustainable Finance, an official advisory body. We were tasked to initially focus on 100 economic activities, such as the development of roads or the construction of buildings, and then indicate which of these 100 activities put the most pressure on the environment, but also have the greatest potential to be made more sustainable, and have the most impact. And on which of the 6 selected environmental goals these activities have the most impact. And once this connection is made, what should be changed to make these activities as sustainable as possible? We then determined: we will define this in the most objectively measurable way, based on the scientific insights of what is possible. And: in line with the goals of a climate-neutral Europe. Our team of 50 people, supported by some 200 advisors, did our absolute best. We defined the activities as concretely and as measurably as possible in actual measurable units. We want to be able to say: what should they comply with to actually make it sustainable. As you can see, we have placed the bar quite high."

"A sustainable definition at the activity level"

Muller makes a prediction: "What we will start to see, is that many companies who have been making an effort with the best intention really didn't have much of a plan. And now they have to ask themselves: where are we headed? What exactly should we comply with? Who determines what is sustainable for us? If you have 100 definitions, everyone will do their own thing. That is what the CSRD is putting an end to. We now have one measure, determined by an independent platform which included NGOs, the industry, scientists, people from various sectors. In short, it is like a consensus model: a definition at the activity level."

Practical in a sense, but hard to swallow nonetheless.
"It is a huge deal. It involves data that companies don't even have yet."

The CSRD Directive is based on a range of other reporting standards. Before this, companies had the choice between different

"This marks the end of greenwashing"

LARA MULLER

reporting frameworks. The oldest among them is the Global Reporting Initiative (GRI), but there's also the Sustainability Accounting Standards Board (SASB), the Climate Disclosure Standards Board (CDSB), the Carbon Disclosure Project (CDP) and Integrated Reporting (IR). The downside of this extensive offer? It was very difficult to compare the reporting of similar companies. The CSRD makes the standards more concrete and ensures a clear scope.

Isn't it easier for companies that have been reporting on their sustainability policy for longer?
"I don't think so. If I compare the taxonomy to the other reporting standards, there are significant differences."

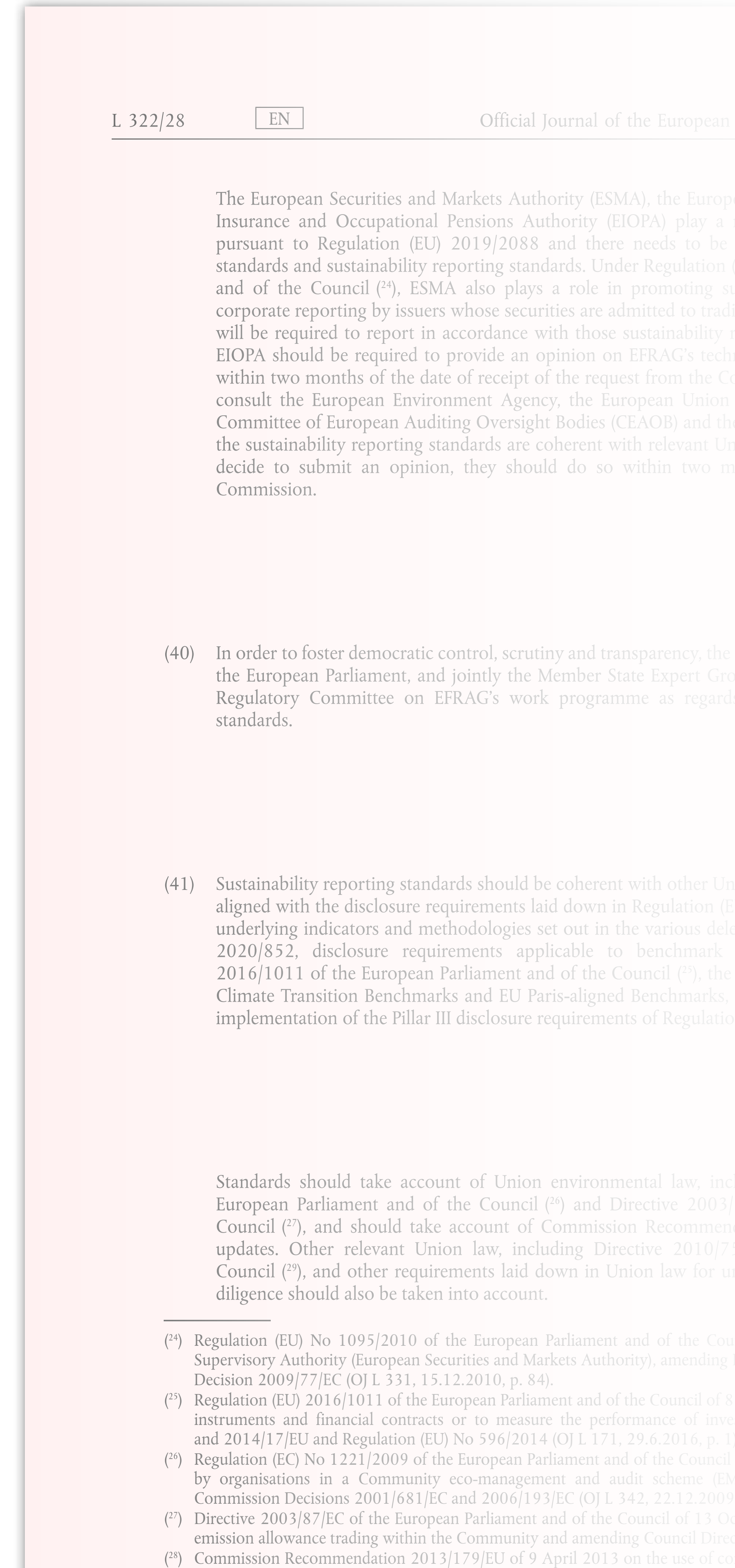
It doesn't give you an advantage - not even if you already have a CSR manager?
"A slight advantage, perhaps. But when you see what we did with the taxonomy, you'll see that we've linked environmental goals - biodiversity, pollution, circular - to financial key figures. And it's the first time this has been done. This means that companies have to report which percentage of their turnover is in line with those criteria. And that's something they've not done before."

That's putting it plainly.
"Ha, well I worked at the global dredging and offshore contractor Boskalis near the port city of Rotterdam, in Papendrecht, for ten years. Everyone in these area of the Netherlands uses plain language."

Muller continues her prediction: "So, suddenly the CFO wakes up, the financial director. The CSR manager comes to him and says: 'listen, I don't have to just report on CO_2, I have to report about CO_2 at the turnover level.' And that is exactly what we wanted. To stimulate the debate between the financial side and the sustainability side. Now, the CSR manager has to delve deeply into the operations, and that is something many CSR managers have yet to do. So far, the reporting standards were at the company level, and the taxonomy looks at the level of economic activity. Companies often perform multiple economic activities. Boskalis, for example, installs wind farms, builds islands, digs canals, tows, dredges, you name it. Not all activities are subject to the taxonomy. And this is true for many businesses - they perform a range of activities."

"Comparable data for financials"

So, developing a forest would not be subject to the taxonomy, but developing a road would?
"For instance. But we made it even harder by also involving the financial key figures, those that relate to the company



L 322/28 EN Official Journal of the European

The European Securities and Markets Authority (ESMA), the Europ
Insurance and Occupational Pensions Authority (EIOPA) play a
pursuant to Regulation (EU) 2019/2088 and there needs to be
standards and sustainability reporting standards. Under Regulation
and of the Council (24), ESMA also plays a role in promoting su
corporate reporting by issuers whose securities are admitted to tradi
will be required to report in accordance with those sustainability
EIOPA should be required to provide an opinion on EFRAG's techn
within two months of the date of receipt of the request from the Co
consult the European Environment Agency, the European Union
Committee of European Auditing Oversight Bodies (CEAOB) and the
the sustainability reporting standards are coherent with relevant Un
decide to submit an opinion, they should do so within two m
Commission.

(40) In order to foster democratic control, scrutiny and transparency, the
the European Parliament, and jointly the Member State Expert Gro
Regulatory Committee on EFRAG's work programme as regards
standards.

(41) Sustainability reporting standards should be coherent with other Un
aligned with the disclosure requirements laid down in Regulation (E
underlying indicators and methodologies set out in the various dele
2020/852, disclosure requirements applicable to benchmark
2016/1011 of the European Parliament and of the Council (25), the
Climate Transition Benchmarks and EU Paris-aligned Benchmarks,
implementation of the Pillar III disclosure requirements of Regulatio

Standards should take account of Union environmental law, inc
European Parliament and of the Council (26) and Directive 2003/
Council (27), and should take account of Commission Recommend
updates. Other relevant Union law, including Directive 2010/75
Council (29), and other requirements laid down in Union law for u
diligence should also be taken into account.

(24) Regulation (EU) No 1095/2010 of the European Parliament and of the Cou
Supervisory Authority (European Securities and Markets Authority), amending
Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).
(25) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8
instruments and financial contracts or to measure the performance of inve
and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1)
(26) Regulation (EC) No 1221/2009 of the European Parliament and of the Council
by organisations in a Community eco-management and audit scheme (EM
Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009
(27) Directive 2003/87/EC of the European Parliament and of the Council of 13 Oc
emission allowance trading within the Community and amending Council Direc
(28) Commission Recommendation 2013/179/EU of 9 April 2013 on the use of co

It is expected that the reporting on company activities with a sustainable impact will have a much faster development time than traditional financial accounting. In the past, everything was done by hand, where we now see the development of practical computer programs and tools to collect and categorise the compulsory data.

strategy: the CapEx (the financial capital invested) and the OpEx (the operational capital required for company activities). With the CapEx you determine what you'll be investing in as a company in the future. We thought that was also relevant, because it tells us more than just the current financial data – turnover only says something about the past. The idea is that this will eventually result in comparable company data which can be used by investors and financial institutions. That is where the demand originates. Consider it like this: 'Guys, you want us to invest sustainably, so give us some data based on which we can make proper decisions.' Right now, right and wrong are all mixed up, which is why I say: this marks the end of greenwashing. Many companies use sustainability reporting to present themselves in an attractive way. I get it. Great photos, nice stories, in those reports. It's important. That is the context. But we also need hard data. If we really want to reform capital markets (bankers and investors) that's where it should start. We live in a capitalist world, financials need like 3000 data to make their decisions. And that's just the beginning."

And it's resulting in panicking among companies as well as the accountants.

"The accountants do two things. They advise companies and they have an auditing function. Now, the CSRD also includes an obligation in term to check those data. And many companies haven't been doing that yet. They think: we'll just let them audit our management report and financial statement, but not our CSR report. We wanted to put a stop to that. The CSR report should also be subject to an audit obligation, because it should be reliable. Until now, everyone could just include whatever they wanted. This means a huge task for accountants and controllers, and they're struggling with it. This is new for them, too."

"Big Six are already talking about it"

But accountants have been able to prepare for this CSRD directive for years, haven't they?

"No, they haven't. Because the final report of the Platform on Sustainable Finance with the last set of indicators was only published a few months ago. They may have been working on management systems for sustainable performance for some years, and I am sure they have, to help companies optimise their processes. KPMG, for example, has had whole teams working on the issue of how to help companies set up an optimal reporting process. But setting them up for the taxonomy, that's a whole different ballgame. Including for the accountancy firms, which have only been familiar with the latest set of published indicators for a few months. And although accountants are generally very good at looking at end results, this requires something else. It demands delving deep into the operation to understand where the data come from. It is something entirely different than auditing a financial statement. They still have to invent the wheel in this regard – and that is fine.

"There is a Dutch group of the Big Six, the four largest accountancy firms plus two medium-sized ones, that meet regularly to discuss this topic and achieve uniformity. But for them there is still a lot that's unclear, too. And they are tackling personnel shortages as well. It demands a lot of extra hours, because it is new, and it requires more in-depth research and a new perspective. It is definitely an issue, in these times in which there is a lot of regulatory pressure anyway.

"And more is coming: the Corporate Sustainability Due Diligence Directive (CSDDD), also called the CS Triple D, which involves due diligence and compels companies to map risks, human rights and environment in their chain more concretely. It will become legally enforceable. All in all, the business industry is facing a wealth of (new) legislation and regulations. That is why it may feel like a lot at once to them. The regulatory pressure from Europe is indeed substantial."

"The end of sustainability reports"

Will there be any more sustainability reports if the required sustainability data are so strongly linked to the financial data?

"I hope that sustainability will become an integrated part of the entire company, including the financial pillar. And that it will be reported on in a single report. So yes, this is also the end of sustainability reports. They are no longer two separate issues."

There can no longer be criticism from the Netherlands about the lack of a level playing field, as all companies in Europe must start applying the CSRD. In the Netherlands there was a strong corporate lobby to remove penalties from a legislative proposal related to the international CSR policy.

"There is a penalty clause in the CSRD as well. In time, there will be penalties when companies refuse to be audited, and this will be enforced. What we're talking about here, is the IMVO legislative proposal versus the CSDDD, the sister directive of the CSRD and the legislation regarding due diligence in the chain.

"There is another difference between the Dutch private member's bill from a number of leftist parties, and what is now being implemented in Europe. In the Dutch proposal, companies risk a penalty of 10 percent of their turnover. That is too much in my opinion. We must continue to support companies, not punish them. Another thing that bothers me about the private member's bill is that it involves criminal law. I don't think that's where you should want to be headed. The CSDDD does itemise civil liability, which seems like a good starting point. And the fact that it is regulated on a European level, as we are an export country. We have many companies here with lots of German and French competitors. You don't want to put Dutch companies at a disadvantage with extremely strict national requirements. We would be shooting ourselves in the foot. I would definitely advise the Dutch government to just await the European trajectory. It would be a waste if you were to get ahead of yourself in this way. Just have patience."

So, the Dutch panic is also occurring in Germany, France and Italy?

"Certainly."

Websites

+ About the CSRD
+ About the EU Taxonomie

intended users of that information. Although the objective is to ha
sustainability reporting, the absence of a commonly agreed standa
creates the risk of different understandings and expectations of w
consist of for different categories of sustainability information, e
qualitative disclosures.

Therefore, a progressive approach to enhancing the level of the as
should be considered, starting with an obligation on the statutory au
the compliance of the sustainability reporting with Union requirem
That opinion should cover the compliance of the sustainability
standards, the process carried out by the undertaking to identi
sustainability reporting standards and compliance with the require
auditor should also assess whether the undertaking's reporting
Article 8 of Regulation (EU) 2020/852. To ensure a common unde
reasonable assurance engagement would consist of, the statutory au
an opinion based on a reasonable assurance engagement about the
Union requirements, when the Commission adopts assurance stand
reporting by means of delegated acts no later than 1 October 2
reasonable assurance is feasible for auditors and undertakings.

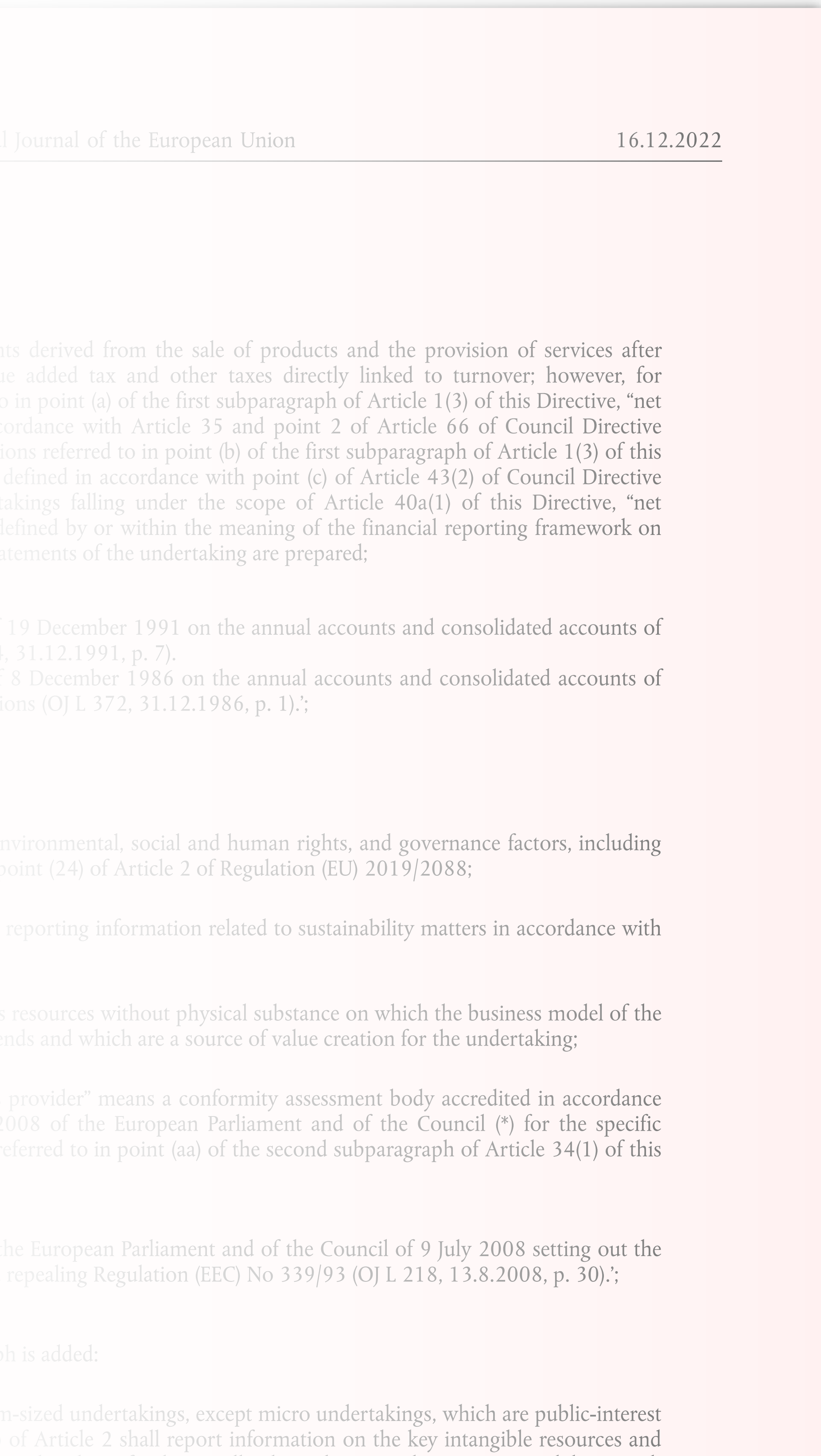
The gradual approach from limited assurance engagements to reaso
for the progressive development of the assurance market for su
reporting practices. Finally, such gradual approach would phase in t
given that assurance of sustainability reporting based on a reasona
assurance of sustainability reporting based on a limited assu
sustainability reporting requirements should be able to decide to ha
reporting based on a reasonable assurance engagement if they so wi
have complied with the obligation to have an opinion based on a lir
on a reasonable assurance engagement concerning forward-lookir
information has been prepared in accordance with applicable standa

(61) Statutory auditors or audit firms already verify the financial stateme
of sustainability reporting by the statutory auditors or audit firms
and consistency of, financial and sustainability information, w
sustainability information. However, there is a risk of further conc
the independence of auditors and increase audit fees or fees relating

Considering the key role of statutory auditors when providing ass
reliable sustainability information, the Commission has announced
and to create a more open and diversified audit market, which are
this amending Directive. In addition, it is desirable to offer undertak
services providers for the assurance of sustainably reporting. Memb
independent assurance services providers in accordance with Re
Parliament and of the Council [34] to provide an assurance opinio
published together with the management report. In addition, Memb

[34] Regulation (EC) No 765/2008 of the European Parliament and of the Coun
accreditation and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008,

New notation required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ts derived from the sale of products and the provision of services after
ue added tax and other taxes directly linked to turnover; however, for
o in point (a) of the first subparagraph of Article 1(3) of this Directive, "net
ordance with Article 35 and point 2 of Article 66 of Council Directive
ions referred to in point (b) of the first subparagraph of Article 1(3) of this
defined in accordance with point (c) of Article 43(2) of Council Directive
takings falling under the scope of Article 40a(1) of this Directive, "net
defined by or within the meaning of the financial reporting framework on
atements of the undertaking are prepared;

19 December 1991 on the annual accounts and consolidated accounts of
, 31.12.1991, p. 7).
8 December 1986 on the annual accounts and consolidated accounts of
ions (OJ L 372, 31.12.1986, p. 1).';

environmental, social and human rights, and governance factors, including
point (24) of Article 2 of Regulation (EU) 2019/2088;

reporting information related to sustainability matters in accordance with

s resources without physical substance on which the business model of the
nds and which are a source of value creation for the undertaking;

provider" means a conformity assessment body accredited in accordance
2008 of the European Parliament and of the Council (*) for the specific
eferred to in point (aa) of the second subparagraph of Article 34(1) of this

he European Parliament and of the Council of 9 July 2008 setting out the
repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).';

h is added:

n-sized undertakings, except micro undertakings, which are public-interest
of Article 2 shall report information on the key intangible resources and
undertaking fundamentally depends on such resources and how such

A major part of the new European Taxonomy is the transition to the circular economy. But how can companies supply comparable data in this framework? "We need a whole different type of notation," says Diane Zandee: "The current accounting regulations are unsuitable." Zandee obtained her doctoral degree in 'Business decision-making in linear-circular economy transitions' in May.

In her dissertation, Zandee (1977) quotes famous conductor Leonard Bernstein. *"To achieve great things, two things are needed; a plan, and not quite enough time."*
This quote is now almost prophetic, as companies and accountants don't know how they can find the knowledge and people required to comply with the new European accounting regulations fast enough. Zandee summarises: "About their climate efforts, policy in the field of biodiversity, circular economy, about the resource aspect... But also about the social aspect, the male/female ratio; the highest salary scale in the organisation, and the lowest; the relationship with suppliers, including those abroad."

Especially reporting on circularity is painful, according to Zandee. In the Netherlands, this topic is as often discussed as it is postponed. The sour joke as heard at the 'Resource Wende' conference by Wouter van Dieren this year: 'Talking about circularity is a circular activity: we are constantly moving in circles and not gaining an inch.'
Zandee: "And there we are, with a new score that allows the orchestra to play and the conductor to indicate the rhythm. Accountants need an information system that can result in an accounting which allows company results to be compared, including on an international level. Large-scale international listed companies such as Philips have been thinking about this for many years. They saw the legislative framework shift and have sufficient capacity to collect the required data. But the large group of SMEs had no obligation to do this until now. They now see something coming at them and have no idea how to handle it. What does it mean for their organisation? Or they did see it coming, but are only realising now how much work it entails. Generally, their accountants will warn them of what lies ahead in advance, but they are facing the exact same problem: where will we find experienced colleagues who know how to realise a sustainable setup of an organisation at the strategic level and thus determine the future course. The accountants themselves are panicking. They are intensively looking for training courses where they can find the necessary knowledge and people. "There is now an important reporting responsibility to provide insight into the chain. That makes sense from the circular economy viewpoint, where my expertise lies. You can only close resource flows from the chain. This will allow you to redesign your business cases. You'll need to think about a different design for your products at the front end, so they can be easily repaired or recycled or be made so that the resources can be

Diane Zandee defending her dissertation: "The circular economy requires new accounting regulations."

Zandee was resented her degree by her supervisor, Professor Sustainable Business André Nijhof. She was supported by her paranymph Marleen Janssen Groesbeek, lector at Avans University of Applied Sciences.

reused at the back end. This way, you can optimise the value of these products; and not just as a company, but also as an organisation or user. You need the entire chain. That higher purpose - the material side - can only be achieved by taking your partners on board."

Easy-peasy for accountants

In the current panic, we are suddenly seeing a rise in self-appointed sustainability experts offering to help. Consultancies are working overtime, and organisations that offer brush-up courses are filling up rapidly. This includes Nyenrode Business Universiteit, where Zandee works and obtained her doctoral degree in late May. This institute is also contributing to the urgent demand for knowledge.
Zandee: "Next September, we'll be including the CSRD in detail in the sixteen courses on sustainability for register controllers. But it's not just about reporting. I want to delve deeper into the issue of how the CSRD relates to what we want to achieve together as a society, how we are currently exhausting the planet and how the social aspect could play a role herein. We will explore the entire landscape so that participants can translate it to their own organisations. What choices do you make and how? How do you set up a stakeholder matrix? And who are the relevant stakeholders? All these aspects contribute to the CSRD. And once you've figured it out internally and start reporting on it, it's easy-peasy for the accountants. In that sense, the CSRD is a directive like any other: a reflection of what goes on within an organisation. An inner framework represented in a way that is comparable and understandable to the outside world. In a few years it will be commonplace."

Can your dissertation help companies?
"It's obviously an academic text and not that accessible. It doesn't read like a children's book. But I do establish a method, with steps to be taken. And I list the various roles of the different parties involved in the process. I provide an analogy to music. Together we try to make beautiful music in the aim to preserve the world. Music touches people, and the language of music is universal. My dissertation about the circular economy aims to contribute to the development of a new notation that is the same worldwide, so we can all play together."

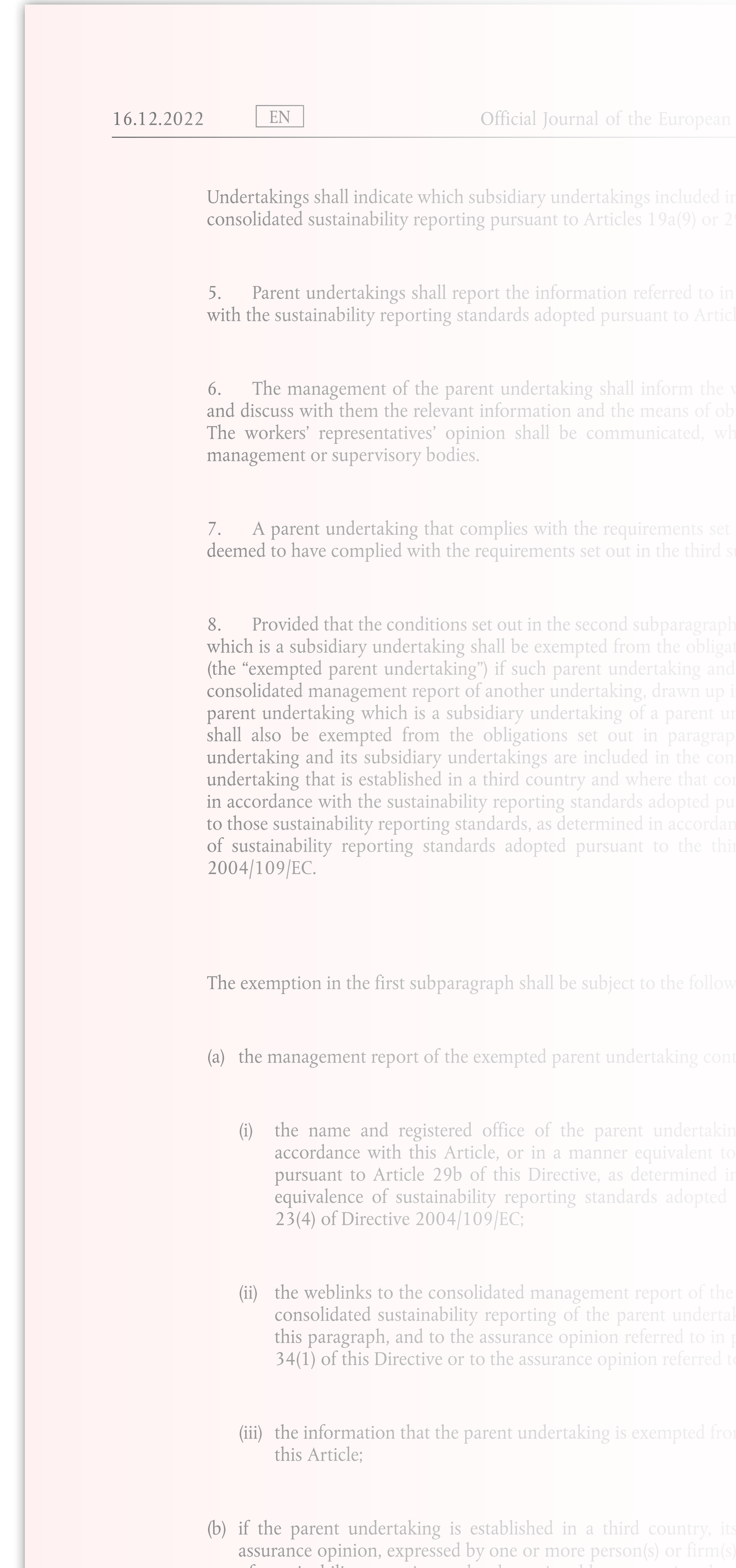
"Playing the same music as your chain partners makes everything easier"
DIANE ZANDEE

Indeed, it would be practical if everyone in the orchestra could read the same notes.
"And that all musicians listen to each other and maintain the same rhythm. These elements can also be found in the transition: working in the same rhythm as your chain partners makes sense, especially when you're working towards a circular design and want to start working with different materials."

As one of the players in this orchestra you mention the Dutch government, which provides a legal framework: the so-called governmental context. Let's say that governments play the kettledrums. The issue in the Netherlands is that our Ministry of Finance is not playing the drum to get the circular economy up to speed. There's a deafening silence in that department, which means that serious financial barriers for the circular economy aren't being removed.
"The government has the role to make that change toward a circular economy and reverse its own decision making. And yes, the Ministry of Finance has an interest in maintaining the current system. Taxes are currently largely based on labour. And I'm not afraid to say that resources are, in fact, too cheap. This makes the circular economy less financially appealing to organisations. But this turnaround has to happen. And reports have been written that state that it is possible, and how. And of course there are organisations that oppose it. In our Dutch way of discussing issues with all parties, 'our polder model', it is very difficult to take a great leap. But that leap is necessary to allow for acceleration."

Which major leaps should the kettledrum players of the Dutch Ministry of Finance take?
"Making resources more expensive. You can see that happening anyway: costs rising due to more expensive materials. It is creating pressure on our current economic model, because companies are holding on to short-term results. And that's just not manageable in the long end. It means that the cost is put on the weakest links in the chain, which are still paying the same high social taxes. It's physically hurting, these higher costs for groceries. You can see poverty in the Netherlands increase already. To balance this out, we need a government that says: we can't take energy welfare measures on the one hand while energy companies are making infinitely high profits on the other. The money has to come from somewhere. That is where measures should be taken. The government is still too much programmed toward the financial driver, without adding the transition component. If we continue on the old path, the transition just won't happen."

Website
+ About the dissertation of Diane Zandee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Undertakings shall indicate which subsidiary undertakings included in
consolidated sustainability reporting pursuant to Articles 19a(9) or 2

5. Parent undertakings shall report the information referred to in
with the sustainability reporting standards adopted pursuant to Artic

6. The management of the parent undertaking shall inform the
and discuss with them the relevant information and the means of ob
The workers' representatives' opinion shall be communicated, wh
management or supervisory bodies.

7. A parent undertaking that complies with the requirements set
deemed to have complied with the requirements set out in the third s

8. Provided that the conditions set out in the second subparagraph
which is a subsidiary undertaking shall be exempted from the obliga
(the "exempted parent undertaking") if such parent undertaking and
consolidated management report of another undertaking, drawn up i
parent undertaking which is a subsidiary undertaking of a parent u
shall also be exempted from the obligations set out in paragrap
undertaking and its subsidiary undertakings are included in the con
undertaking that is established in a third country and where that co
in accordance with the sustainability reporting standards adopted pu
to those sustainability reporting standards, as determined in accordan
of sustainability reporting standards adopted pursuant to the thi
2004/109/EC.

The exemption in the first subparagraph shall be subject to the follow

(a) the management report of the exempted parent undertaking con

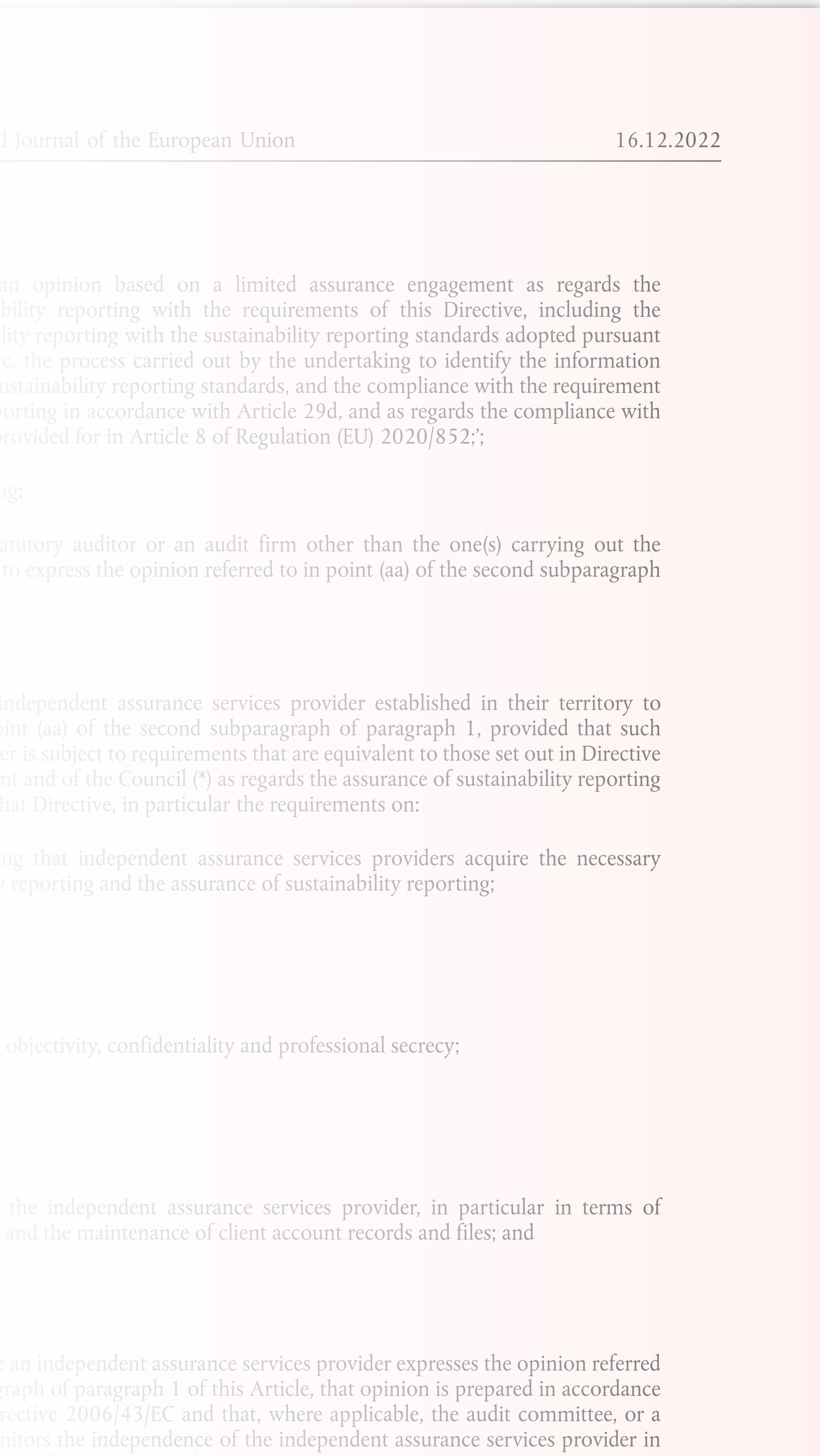
(i) the name and registered office of the parent undertakin
accordance with this Article, or in a manner equivalent to
pursuant to Article 29b of this Directive, as determined i
equivalence of sustainability reporting standards adopted
23(4) of Directive 2004/109/EC;

(ii) the weblinks to the consolidated management report of the
consolidated sustainability reporting of the parent undertak
this paragraph, and to the assurance opinion referred to in p
34(1) of this Directive or to the assurance opinion referred t

(iii) the information that the parent undertaking is exempted fro
this Article;

(b) if the parent undertaking is established in a third country, its
assurance opinion, expressed by one or more person(s) or firm(s

Panic affects higher education too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an opinion based on a limited assurance engagement as regards the
bility reporting with the requirements of this Directive, including the
bility reporting with the sustainability reporting standards adopted pursuant
e, the process carried out by the undertaking to identify the information
ustainability reporting standards, and the compliance with the requirement
orting in accordance with Article 29d, and as regards the compliance with
rovided for in Article 8 of Regulation (EU) 2020/852;';

ng:

atutory auditor or an audit firm other than the one(s) carrying out the
to express the opinion referred to in point (aa) of the second subparagraph

independent assurance services provider established in their territory to
int (aa) of the second subparagraph of paragraph 1, provided that such
er is subject to requirements that are equivalent to those set out in Directive
nt and of the Council (*) as regards the assurance of sustainability reporting
hat Directive, in particular the requirements on:

ng that independent assurance services providers acquire the necessary
y reporting and the assurance of sustainability reporting;

objectivity, confidentiality and professional secrecy;

the independent assurance services provider, in particular in terms of
and the maintenance of client account records and files; and

e an independent assurance services provider expresses the opinion referred
graph of paragraph 1 of this Article, that opinion is prepared in accordance
rective 2006/43/EC and that, where applicable, the audit committee, or a
nitors the independence of the independent assurance services provider in

The panic about the backlog in knowledge among SMEs and their accountants about the European regulations for integrating sustainability data in the regular annual report is also tangible in higher education. It has been clearly felt by students who've been working with sustainability data in the framework of their Finance & Control or Accountancy studies. They are already being asked to help in developing blueprints for sectors or individual clients via their (graduate) internships.

The issue these students encounter is that - with a few exceptions - the knowledge of the EU Taxonomy and the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD) is poorly developed within medium-sized and smaller accountancy firms.

As a result, the students are more involved in supplementing this backlogged knowledge at these firms than they are learning how to perform a sustainability audit. And because they themselves are still learning what the European Sustainability Reporting Standards (ESRS) entails, there is a lot of pressure on professors and lectors performing research into Integrated Reporting and sustainability indicators. They supervise the students together with the financial and accountancy docents who have been keeping up-to-date with their field.

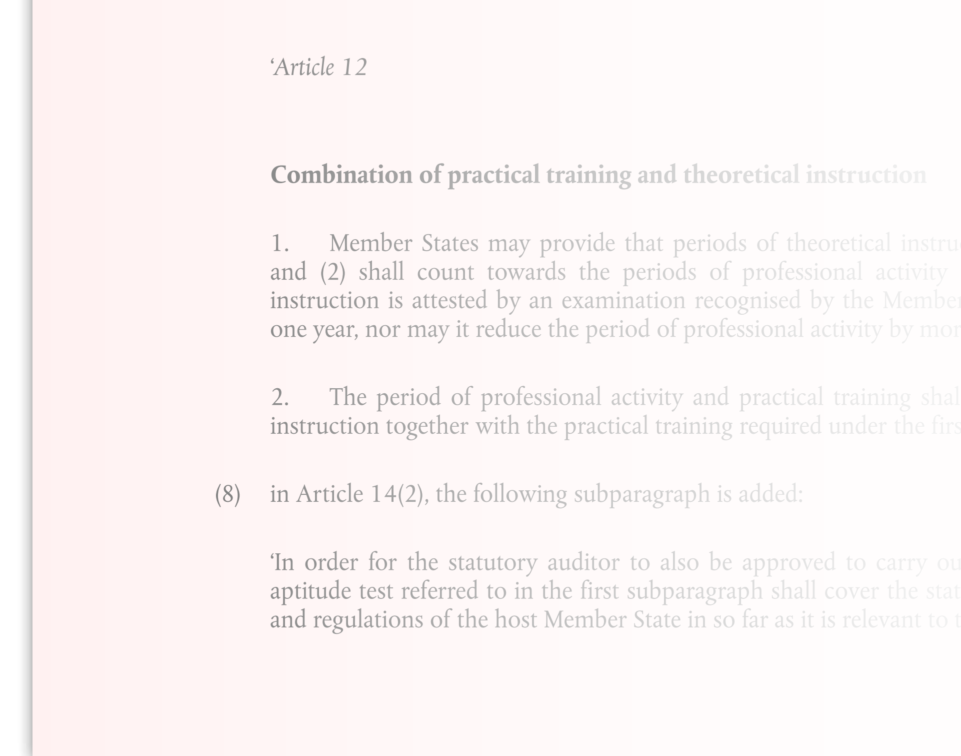
"How a company can prove its raison d'être"

"Thankfully, in the Netherlands, we have quite a few specialists in higher education who are focused on the measuring, accounting and reporting of non-financial data," says Marleen Janssen Groesbeek, lector Sustainable Finance and Accounting at Avans University of Applied Sciences.
"At Avans, we've been involved in knowledge development regarding the integration of sustainability data with financial information since 2015. We perform practice-oriented research into the way in which companies and other organisations can improve how they demonstrate what they do and whether they are doing those things correctly. To us, sustainability equals durability. Properly organising sustainable accounting, management information systems and reporting is crucial in this framework."

Avans is not the only university of applied sciences in the Netherlands to prepare students for the European future. Janssen Groesbeek: "Like The Hague, Hanze, HAN and Zuyd, universities of applied sciences we work with the multiple value creation model, also known as the six-capital model. This is based on the input-output model for the financial value, material value, intellectual value, human value, social-relational value and, finally, the natural value. In connection, students are taught how they can prove social impact. An essential aspect therein is that the company can prove its raison d'être. Has the company earned its right to do business in this changing world? What is its goal and is that goal in line with the sustainable world we aim to achieve? That is the question that students in the financial and accountancy studies are asked to start with."

"Our interns are already being asked to help accountants"

Marleen Janssen Groesbeek


'Article 12

Combination of practical training and theoretical instruction

1. Member States may provide that periods of theoretical instru
and (2) shall count towards the periods of professional activity
instruction is attested by an examination recognised by the Membe
one year, nor may it reduce the period of professional activity by mor

2. The period of professional activity and practical training shal
instruction together with the practical training required under the firs

(8) in Article 14(2), the following subparagraph is added:

'In order for the statutory auditor to also be approved to carry ou
aptitude test referred to in the first subparagraph shall cover the stat
and regulations of the host Member State in so far as it is relevant to t

The model was developed by representatives of the major accountancy and capital management firms which used to be united in the International Integrated Reporting Council (IIRC). Since then, the IIRC merged with the organisation behind the American sustainability standards, the SASB. Research performed by KPMG shows that, globally, the guidelines of the Global Reporting Initiative (GRI), the regulation of the Taskforce for Climate-related Financial Disclosures (TCFD) and SASB are most commonly used. The Sustainable Development Goals (SDG) are also used to demonstrate social impact.

"CSRD has made Accountancy studies interesting again"

When the lectorate Sustainable Finance & Accounting organised the first graduate workshops on integrated sustainability reporting together with the Financial Management Academy of Avans University of Applied Sciences in 2015, not everyone was eager to participate. Like their commercial counterparts, the Finance & Control and Accountancy docents thought that 'this sustainability' and the ways of integrating and reporting on sustainability performance in accounting were a fad - it would soon fade from the spotlight.

Janssen Groesbeek saw this attitude change: "We saw a gradual shift. Not just because the institutes and academies were told top-down to focus more on sustainability. The tide also turned because companies - or the work sphere, to put it in academic terms - started calling attention to it. It was a slow process, but it led to the fact that Integrated Reporting became part of the curriculum of Finance & Control and Accountancy within Avans. Now we are just waiting for the Dutch Commission Attainment Targets Accountancy Studies to process the latest developments, such as the audit of the European Sustainability Reporting Standards, in the official accountancy exam."

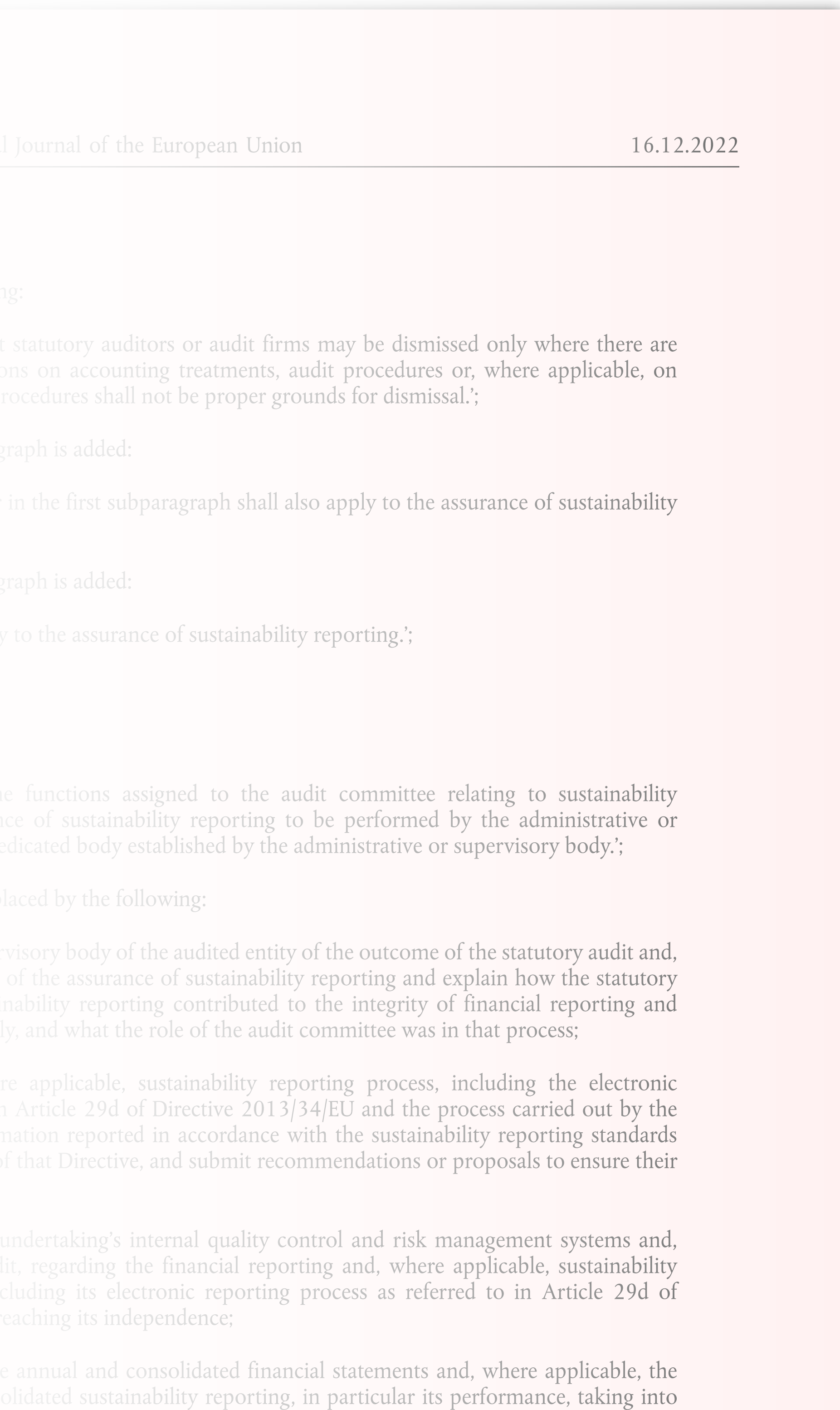
In their audit practice modern accountants are mainly working on recognising company risks. And these risks have expanded significantly. The durability of a company is no longer just about solvency and liquidity. It also involves adapting to the many transitions for a sustainable economy. And let's not forget the effects of climate change on their operational management - a focal point in the CSRD.

According to Janssen Groesbeek these changes are making the course much more interesting. "The panic among accountancy firms is not just about the lack of knowledge and the fact that sustainability has been ignored as a material theme for so long. The number of students and graduates in these fields is also declining. Financial and accountancy studies lost a lot of their appeal. Just looking at the financial performance of a company without really delving into their raison d'être and the way the company makes its profits becomes boring in time. Even when the courses make the studies much more attractive to students by increasingly involving them in daily business practice, or by letting them become a driven entrepreneur focused on creating a better world. The work sphere, SME accountants and medium-sized companies, is just lagging too far behind on the sustainable facts."

Her conclusion: "This is why it's great for the frontrunners in the industry and for educational institutes that the Green Deal proposed by European Commissioner Frans Timmermans resulted in the CSRD and that it prescribes stricter sustainability regulations for banks and investors. The financials of the future need them to do their work properly. After all, it's not about the report, but about us being able to ensure that companies actually do what they promise."

Website
+ **More about the Avans Centre of Expertise for Sustainable Business** ›

Is Grant Thornton prepared for the CSRD Directive?


l Journal of the European Union 16.12.2022

ng:

t statutory auditors or audit firms may be dismissed only where there are ons on accounting treatments, audit procedures or, where applicable, on rocedures shall not be proper grounds for dismissal.';

graph is added:

in the first subparagraph shall also apply to the assurance of sustainability

graph is added:

y to the assurance of sustainability reporting.';

he functions assigned to the audit committee relating to sustainability nce of sustainability reporting to be performed by the administrative or edicated body established by the administrative or supervisory body.';

laced by the following:

rvisory body of the audited entity of the outcome of the statutory audit and, of the assurance of sustainability reporting and explain how the statutory nability reporting contributed to the integrity of financial reporting and ly, and what the role of the audit committee was in that process;

re applicable, sustainability reporting process, including the electronic n Article 29d of Directive 2013/34/EU and the process carried out by the nation reported in accordance with the sustainability reporting standards f that Directive, and submit recommendations or proposals to ensure their

undertaking's internal quality control and risk management systems and, lit, regarding the financial reporting and, where applicable, sustainability cluding its electronic reporting process as referred to in Article 29d of eaching its independence;

e annual and consolidated financial statements and, where applicable, the olidated sustainability reporting, in particular its performance, taking into

Where 'The Big 4', the largest accountancy firms KPMG, EY, Deloitte and PwC, serve large listed companies, accountants and consultancy firm Grant Thornton is manly focused on 'mid-corporate' companies: large SMEs with a turnover between 50 million and 1 billion euros. "We have been preparing for a standard like this CSRD for years," says Emma Verheijke (1987). She is partner Sustainability & Impact Services within Impact House, the firm's sustainability department.

Verheijke: "My consultancy firm Sinzer had been working on sustainability reporting in a broad sense for some 10 to 15 years. This is why it was acquired by Grant Thorton in 2019, as were various other consultancies in this field. It is one of the ways in which Grant Thornton has been preparing for the implementation of the CSRD. By acquiring us as experts it was able to build up a consultancy and assurance practice in this field, now combined in Impact House.

"The CSRD is far-reaching," she continues. "It is a true gamechanger for the entire market. But the reporting standard is built on existing frameworks, like the GRI and Integrated Reporting. So, for people in our team, the requirements aren't that revolutionary. And we try to pass this on to the market: don't get overly panicked about all these pages of legal mumbo jumbo. Yes, it's a lot, but it is also doable. It is our advice to approach it in a way that makes it workable, information that helps give your company direction in a rapidly changing world."

"I think the CSRD is a positive development. The problems are significant and we have been saying for a long time, some 50 years, that the market would be able to resolve issues related to sustainability. But it hasn't happened so far. Now it is time to legislate it; that a substantial part of the European companies improves their reporting. Within our target group of companies, there is a large segment that hasn't been doing that yet."

Does Grant Thornton have enough people to realise this task?

"There is a clear capacity issue everywhere in the market. We have 45 people in our Impact House. They will allow us to help quite a few organisations. We are upscaling by training people internally. Another thing we're focusing on is training the organisations to tackle the issue themselves. In addition, we're training our 'combination accountants' so they can bring it to their clients as well. This involves the layer of SMEs that are not yet obligated to report, but who will be asked about sustainability by larger companies in the chain. Questions about issues such as CO_2 emissions."


Emma Verheijke: "Via tools, software and automation we can quickly make collecting and inputting data for the CSRD smarter."

"A gamechanger for the entire market"

EMMA VERHEIJKE, GRANT THORNTON

It will give you plenty to do for the next 10 years.

"I think so. But this reporting will develop much faster than financial accounting, which was refined over the course of many centuries. We can make it smarter fast. Via tools, software, automation. The goal is to quickly embed it in the business and processes." ■

Website

+ **Impact House of Grant Thornton**

+ TEXT JAN BOM EN MARLEEN JANSSEN GROESBEEK + PHOTOGRAPHY P+, JANITA SASSEN AND OTHERS + TRANSLATION AKKE PINKSTER - VERTALER
+ ART DIRECTION BUREAU BOUDEWIJN BOER EN STUDIO 10 + UITGEVERIJ ATTICUS BV + WWW.P-PLUS.NL

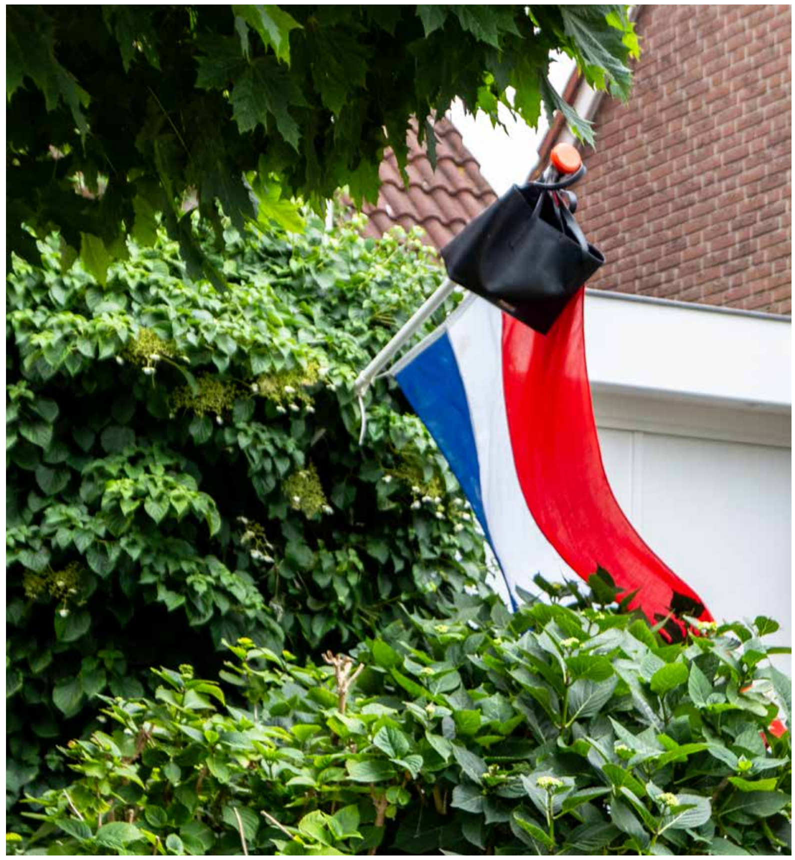
Centre of Expertise
Wellbeing Economy & New Entrepreneurship
Powered by avans

The Research Chair Sustainable Finance and Accounting is one of the 6 Research Chairs at the Centre of Expertise Wellbeing Economy and New Entrepreneurship (Dutch: Brede Welvaart en Nieuw Ondernemerschap (BWNO)). BWNO aspires a sustainable future for everyone. Our researchers work together with different parties in society. They want to contribute to solutions for urgent societal and environmental issues that threaten all that lives on the planet and the planet itself: global warming, loss of biodiversity and depletion of raw materials, inequality, and social injustice.
In the current economic system, we measure wellbeing and prosperity primarily as economic growth (GDP) and financial progress. Using raw materials and people in a disrespectful and linear way (make-take-waste) is considered unavoidable, but the earth and society are reaching their limits. That is why transitioning to a wellbeing economy where we start working on regeneration is necessary. That transition requires entrepreneurship that contributes to human and natural values and makes an effort to repair the damage - but preferably to prevent it.
We distinguish two lines of research within our knowledge programme. The first is research into wellbeing in an economic sense. The second program line concerns entrepreneurship and how it can contribute to wellbeing.

Research Groups
At CoE BWNO, 6 professors, around 50 researchers, and 10 supporting staff work on practice-oriented research. Six professors and two associate professors have the lead in setting up the knowledge programme
1. Economy as a Common
2. Impactful Value Chains
3. Policy and law for Wellbeing Economy
4. New Marketing
5. New Entrepreneurship
6. Sustainable Finance and Accounting

Various methods and techniques
Our researchers constantly seek a balance between methodological diligence, pragmatism and added value to businesses. We combine various research methods and techniques to obtain the best possible results from quantitative to qualitative and from traditional experimental to action research and monitoring.

Active participation of students and lecturers
The research actively involves students and lecturers in research projects wherever possible. The focus lies on 'learning through participation'. This approach also allows the centre to enhance lecturers' expertise further. Active interaction between professors and researchers, the professional field and participating schools create new knowledge.


School bags hanging on flag poles: a Dutch habit to celebrate graduation. Which next study to choose? The CSRD is making the accountancy studies far more interesting. Avans University of applied sciences offers students on top of this the Sustainable Finance and Accounting research group.

Multidisciplinary collaboration
We conduct our research with companies, governments, organisations and (knowledge) institutions. When researchers and the professional field work together, significant steps can be taken towards new ways of organising the economy, with a more even and equal distribution of financial, social and natural capital. Collecting knowledge through research and implementing this knowledge by entrepreneurs, companies, and institutions ensures that a real difference is made in our society.

Website
+ **Avans Centre of Expertise Wellbeing Economy and New Entrepreneurship**