

# EU Newsletter

# Sustainability Reporting

#7 - June 2023



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In our seventh edition of this newsletter, we continue to explore the sustainability reporting field. The European Commission has announced a rationalisation and simplification of reporting requirements, notably by reducing EU companies' reporting requirements by 25% by fall 2023. This will impact the imminent publication of sustainability reporting standards. The European Financial Reporting Advisory Group (EFRAG) is also placing guidance on sector agnostic standards before further work on sector-specific standards to secure the first implementation.

Meanwhile, the International Sustainability Standards Board (ISSB) has released its request for information (also referred to as its agenda consultation exposure draft) on 4 May 2023, as well as another exposure draft regarding the proposed methodology for improving the international applicability of the SASB standards. The expected release of the United States Securities and Exchange Commission (SEC)'s final rule on climate-related disclosures is still unclear. As to the Taxonomy Regulation, the European Commission has published new draft Delegated Acts that provide guidance on the four other environmental objectives, as well as amendments to the draft Disclosures and the draft Climate Delegated Acts.

The decisions above are still debated via political negotiations, highlighting the obvious complexity of sustainability reporting. We explain these topics in more detail. In addition, we set out five 'no regret' steps to help guide companies in preparing for sustainability assurance.

Enjoy your reading.

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## EFRAG

The consultation for the draft Delegated Act (DA) on the first set of European Sustainability Reporting Standards (ESRS) is expected to start in early June for a four-week comment period. In light of the comments expressed by various stakeholder's groups, it is possible that some changes to EFRAG's proposal might be made by the European Commission, especially on the application of materiality and additional phase-ins.

It is possible that all standards could be subject to a materiality threshold. Companies could be allowed to report on anticipated financial impacts of climate and the other environmental topics and to include specific disclosures on their own workers only after the first year. Some data points and Disclosure Requirements (DRs) will be voluntary (for instance, on biodiversity transition plans).

It is expected that the final delegated act will be adopted probably by the end of July and no later than August 31. The European Parliament and Council will then have two months to approve or reject the Act. Application will begin from January 2024.

Following the request from Commissioner McGuinness, EFRAG is prioritising guidance on sector-agnostic standards over the development of sector specific standards and standards for listed small- or medium-sized entities (SMEs). EFRAG is developing additional guidance that will focus on materiality assessment, value chain and inventory of data points for sector-agnostic standards and is finalising the digital taxonomy project.

## ISSB

The Board met in February 2023 to finalise their decisions on all technical content of its initial standards, General Sustainability-related Disclosure Requirements (IFRS S1) and Climate-related Disclosures (IFRS S2).

They tentatively decided to permit entities to consider the Global Reporting Initiative (GRI) Standards and the ESRS in identifying disclosures in the absence of a relevant IFRS Sustainability Disclosure Standard. These sources of guidance (that is, the GRI and ESRS) might only be considered to the extent that these sources of guidance assist an entity in meeting the objective of IFRS S1 and do not conflict with other IFRS Sustainability Disclosure Standards. IFRS S1 and IFRS S2 are expected to be issued at the end of Q2 2023, with an effective date of 1 January 2024, along with various temporary reliefs.

In March 2023, the Board discussed the process to maintain, enhance and improve the SASB Standards. The discussion included the work involved in updating the international applicability of the SASB standards. In May 2023 the Board published a 90-day consultation on its proposed methodology for revising the SASB standards to improve their international applicability. Considering that the ISSB has stated that SASB standards shall be considered by entities when identifying applicable sustainability-related risks and opportunities as well as applicable disclosures, it is important for the SASB standards to be internationally applicable and not jurisdiction-specific. Read PwC's In brief [here](#).

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In April 2023, additional transition relief to only report climate-related risks and opportunities in the first year of applying IFRS Sustainability Disclosure Standards was tentatively decided. For an entity that decides to apply this transition relief, the requirements in IFRS S1 would only apply to the extent that they relate to the disclosure of climate-related information. In addition, the Board agreed on a 120-day comment period for its request for information to help structure its work plan and released its request for information on 4 May 2023. PwC's In brief regarding the ISSB's request for information is [here](#).

## SEC

While it is unknown when the SEC's final rule on climate-related disclosure will be issued, we currently expect it to be released in summer or fall 2023. The SEC also intends to issue a proposal on human capital management disclosures and a final rule on the reporting of material cybersecurity events, both of which we expect in the first half of 2023.

For additional insights and updates on sustainability reporting from the different global standard setters and regulators, read the May 2023 Global Sustainability Reporting newsletter [here](#).





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# Links and interactions between EU Taxonomy reporting requirements and the draft ESRS



## Introduction

The Corporate Sustainability Reporting Directive (CSRD) published in the EU Official Journal on 16 December 2022 ([here](#)) anticipates the adoption of European Sustainability Reporting Standards (ESRS). The European Financial Reporting Advisory Group (EFRAG) has been mandated to develop draft ESRS and delivered a first set of 12 draft ESRS to the European Commission in November 2022 ([here](#)). Our last (sixth) edition of the EU Sustainability Reporting Newsletter provided an overview of the content of the draft ESRS ([here](#)).

The ESRS are intended to support the objectives of the European Green Deal and are aligned with the existing European legal framework. This includes the Sustainable Finance Disclosures Regulation (SFDR) and the EU Taxonomy Regulation. Therefore, some of the disclosure requirements included in the draft ESRS refer to the EU Taxonomy Regulation. The aim is to ensure that the future disclosure requirements complement and support each other.

### • CSRD and ESRS

The CSRD requires companies to disclose information about the following six environmental factors:

- climate change mitigation,
- climate change adaptation,
- water and marine resources,
- resource use and circular economy,
- pollution, and
- biodiversity and ecosystems.

These factors are in line with the objectives of the EU Taxonomy Regulation and, thus, the different disclosure requirements are connected by their focal areas of concern. Draft ESRS 1.114 confirms that ***the Taxonomy disclosures are part of the sustainability statement under the CSRD and will be a dedicated section of the company's management report.***

***Sustainability statement shall be structured in four parts:***

- 1** **General information** - ESRS 2 General Disclosures
- 2** **Environmental information** - ESRS E1 to E5 + additional information (if applicable)
- +** **Disclosures pursuant to taxonomy regulation**
- 3** **Social information** - ESRS S1 to S4 + additional information (if applicable)
- 4** **Governance information** - ESRS G1 + additional information (if applicable)



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• **EU Taxonomy regulations**

Article 8 of the EU Taxonomy Regulation 2020/852 requires companies to include in their (consolidated) non-financial statement (following the Non Financial Reporting Directive) information on the proportion of the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that are associated with environmentally sustainable (Taxonomy-aligned) economic activities. **With the CSRD, the Taxonomy disclosures shift to the sustainability statement. The content for Taxonomy will still be specified by Article 8 of the EU Taxonomy Regulation and not by ESRS.**

• **Environmental draft ESRS with a link to the EU Taxonomy Regulation**

Certain ESRS make explicit reference to the EU Taxonomy disclosure requirements. To illustrate, selected links between the EU Taxonomy disclosures and ESRS are presented below, as well as observations on their potential to provide relevant and consistent information.

→ *Draft ESRS E1-1 – Transition plan for climate change mitigation*

As part of the description of the transition plan to a climate-neutral economy and net-zero GHG emissions, the company will explain how its current and future economic activities align with the provisions of the EU Taxonomy Regulation. Therefore, the company will link its overall transition plans with its plans for future Taxonomy alignment (revenues, CapEx and OpEx plans) (draft ESRS E1.15(e), AR4)

→ *Draft ESRS E1-3 – Actions and resources in relation to climate change policies*

The company will disclose its climate change mitigation and adaptation actions and resources allocated for their implementation to provide transparency on how it intends to achieve its climate-related policy objectives and targets (draft ESRS E1.24 and the following). The draft standard indicates that the significant monetary amounts of OpEx and CapEx disclosed will be related and consistent with the key performance indicators and the CapEx plans as defined in the Article 8 Delegated Act (draft ESRS E1.27(c), AR23). Therefore, a company may structure its actions by economic activity to accommodate the OpEx and CapEx plan for Taxonomy-alignment. Potential differences between OpEx and CapEx disclosed

under the (draft) ESRS and the EU Taxonomy Regulation will be explained.

→ *Draft ESRS E2-2 – Actions and resources related to pollution*

Actions and resources to reduce pollution might address Do No Significant Harm criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts (minimisation of pollution).

→ *Draft ESRS S1 - S4 – Social*

The social draft ESRS standards address aspects that are also relevant for compliance with the **minimum safeguards** of the EU Taxonomy.

**Conclusion**

Several draft ESRS include references to the EU Taxonomy disclosures. These references follow different purposes. Some references aim at highlighting how the information disclosed under the Taxonomy and the ESRS relate to each other. Other disclosures in the draft ESRS complement Taxonomy disclosures and add new aspects or help put the disclosures into a broader market perspective.

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# The Minimum Safeguards criterion of the EU Taxonomy



## Introduction

The Final Report on Minimum Safeguards (MS) was published in October 2022 by the Platform on Sustainable Finance (PSF). The report ([here](#)) advises on the application of and compliance with articles 3 and 18 of the Taxonomy Regulation. Even though this report is not legally binding, it was welcomed since the Taxonomy Regulation is not precise on the application of MS and there is no delegated act supplementing the Taxonomy Regulation concerning the MS.

Compliance with MS is one of the necessary conditions that an economic activity will meet to be recognised as Taxonomy-aligned. It complements compliance with the Substantial Contribution and the Do No Significant Harm (DNSH) criteria.

The MS aim to ensure that Taxonomy-aligned economic activities are carried out in alignment with the OECD Guidelines for Multinational Enterprises (MNEs), the UN Guiding Principles (UN GPs) on Business and Human Rights, the principles set out in the International Labour Organisation core conventions and the International Bill of Human Rights. Thus, the MS require companies to implement appropriate procedures to ensure that these guidelines and principles on social and governance aspects are met.

### • Assessing compliance with MS

Due diligence is at the heart of the MS with article 18 of the Taxonomy Regulation stating that MS 'shall be procedures implemented by an undertaking'.

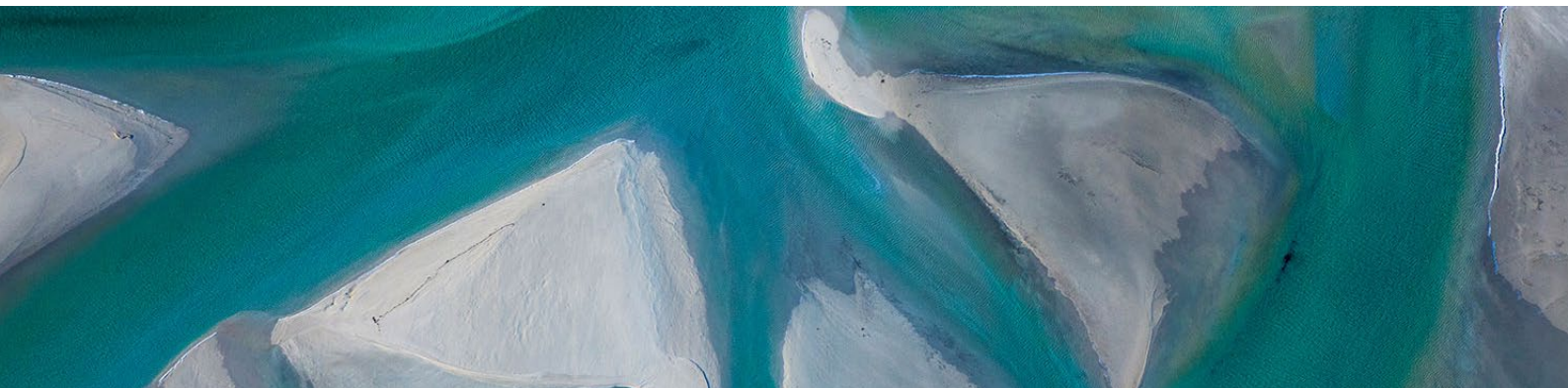
The report identifies four core topics that need to be assessed for compliance with the minimum safeguards. These are:

- ✓ human rights (including workers' and consumers' rights),
- ✓ bribery/corruption,
- ✓ taxation, and
- ✓ fair competition

All four topics raised by the PSF need to be considered to be compliant with the MS.

The report proposes a two-dimensional assessment of MS-alignment for each topic above:

1. The first criterion is the existence of adequate due diligence processes.
2. The second criterion is that there are no signs of material breaches, in particular no convictions in court.



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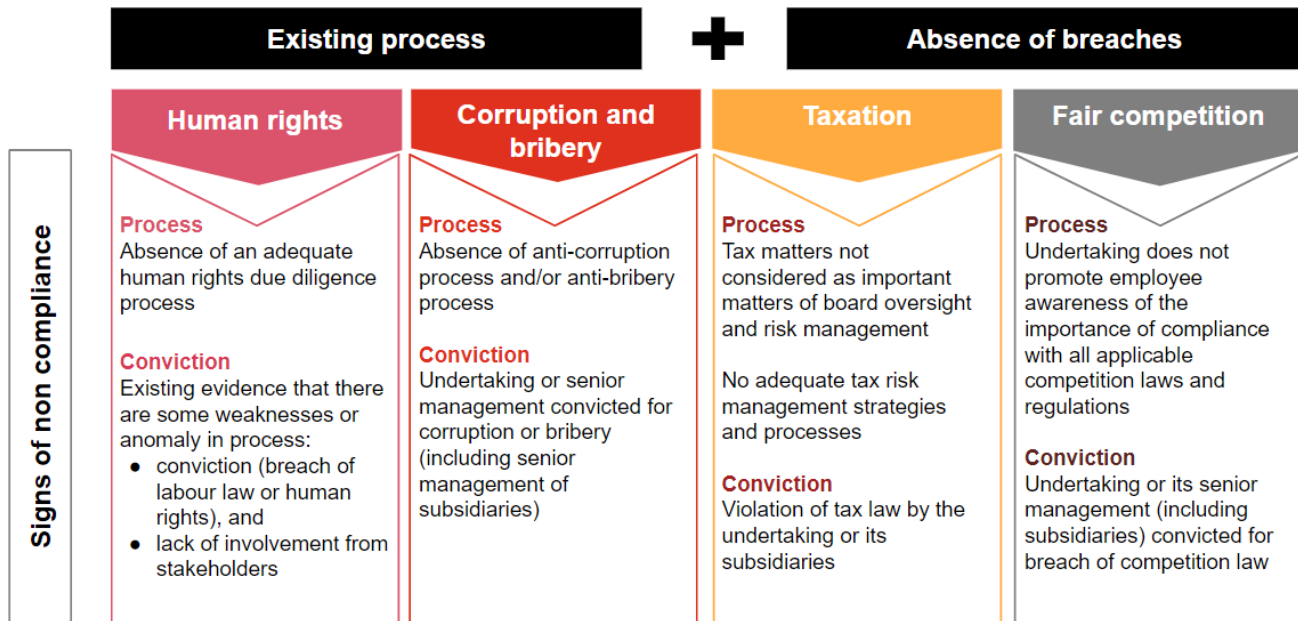
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• How to apply MS in practice?



Following the two-dimensional assessment above, a company cannot be considered compliant with MS when assessing respect for human rights if:

1. it has not established adequate Human Rights Due Diligence (HRDD) processes, as outlined in the UN GPs and OECD Guidelines for MNEs, or
2. there are clear indications that the company does not adequately implement HRDD processes, resulting in human rights abuses or signals of stakeholder engagement failures in HRDD (for example, conviction in court cases on labour law or human rights or not responding to concerns taken up by the Business and Human Rights Resource Centre within three months).

Similar to the approach for human rights, the Final Report on MS includes criteria on corruption, taxation and fair competition. As shown above, all criteria follow the same two-dimensional approach as human rights.

What type of conviction could lead to non-compliance with MS? Here, the Final Report lacks detailed guidance, however, a differentiation between serious violations and minor cases is advised. Thus, in the absence of more detailed guidance, transparency is key to clearly elaborate

on the judgement used in the alignment assessment.

• **Consideration of value chain**

According to the Final Report the value chain is to be considered for two topics: human rights and bribery/corruption. Companies should seek to improve and extend their due diligence processes to become better over time, starting with the most severe risks for these topics.

Please note that the ESRS as well as the CSDDD (and the Corporate Sustainability Due Diligence Directive) are under development and political discourse, thus, details on the respective disclosure requirements and obligations regarding sustainability due diligence processes are still subject to change.





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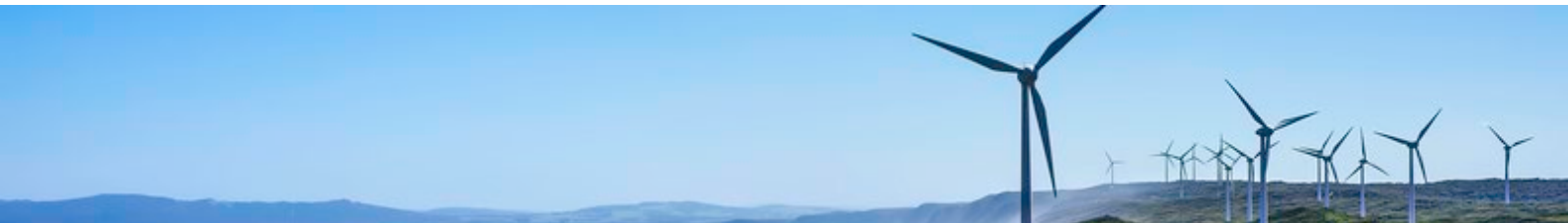
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# Taxonomy: 4 other environmental objectives and other changes proposed by the European Commission



## Teaser

For the financial year 2022, non-financial undertakings performed full reporting on both climate change mitigation and climate change adaptation by disclosing their Taxonomy-aligned turnover, CapEx and OpEx.

On 5 April 2023, the European Commission published the draft Environmental Delegated Act introducing the activities and technical screening criteria for the four other environmental objectives. This new Environmental Delegated Act is expected to be adopted by June 2023. Moreover, the European Commission published a draft Delegated Act to amend the Climate Delegated Act. Changes include additional economic activities to the climate-related objectives (climate

change mitigation and climate change adaptation) and modifications of the descriptions or technical screening criteria of existing economic activities.

Finally, the European Commission also proposes changes to the Disclosures Delegated Act to establish the first-time reporting on the new activities and to modify the reporting templates.

These draft delegated acts are generally to be applied in 2024 for the Taxonomy reporting on 2023, but simplification rules apply for certain elements in the first year. For example, for all new activities only Taxonomy-eligibility needs to be reported in 2024.



- What are the main changes to the current delegated acts?*
- How do the four other objectives work?*
- What will Taxonomy reporting look like in 2024?*
- Which activities will be involved?*



Read our latest In brief on the draft Delegated Acts [here](#). + to be followed with the publication of final texts (expected in June 2023)





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# The road to Sustainability Assurance *start the journey today*



A recent study from IFAC (International Federation of Accountants), AICPA (American Institute of Certified Public Accountants) and CIMA, (Chartered Institute of Management Accountants), ‘The state of play in reporting and assurance of sustainability information’ ([here](#)), showed that 95% of companies disclose some level of ESG (or sustainability) data. However, only 64% obtain assurance and for 80% of those, that assurance is

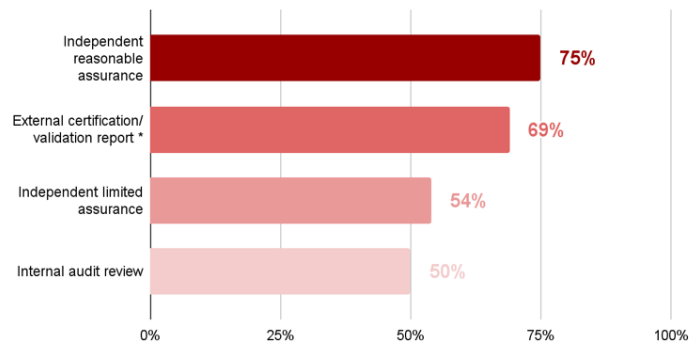
limited. That is in the form of negative assurance - ‘Nothing has come to our attention... to cause us to believe the subject matter information is materially misstated’. This current state of play contrasts with the high expectations of sustainability reporting and assurance. This is leading to an increasing gap in trust between what companies are reporting and whether, and to what level, they are obtaining assurance.

Take PwC’s Global Investor Survey 2022 ([here](#)), where 87% of investors stated a belief that corporate reporting contains at least some unsupported claims about a company’s sustainability performance (that is greenwashing).

In addition, investor confidence in limited assurance was only marginally higher than that of a review performed by the internal audit function ([here](#)). Investors’ higher confidence in reasonable assurance, demonstrates a clear need for more transparent and trustworthy information in sustainability reporting.

This growing expectation from investors aligns with the fast approaching European Sustainability Reporting Standards (ESRS) that will require some 50,000 companies to disclose a suite of metrics covering environmental, social and governance and at the same time obtain limited, eventually reasonable, assurance. In short, the ESRS will challenge companies to take a significant step in closing the trust gap when it comes to sustainability reporting and assurance.

Investor confidence in assessing accuracy of a company’s sustainability reporting when they obtain...



\* External certification or validation report by a sustainability consultancy, certification agency or a professional services organisation that is not an auditing firm

Source: PwC’s Global Investor Survey 2022



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The International Auditing and Assurance Standards Board (IAASB) is also progressing its plan to develop a new overarching standard for assurance on sustainability reporting – ‘ISSA 5000’. The exposure draft timeline has been accelerated and is expected to land in summer 2023, followed by a comment period extending to the end of 2023 and a finalised standard in autumn 2024. The standard has been developed in recognition of the urgency of elevating sustainability assurance. This is a result of emerging standards, such as the CSRD, and arguably represents another example of the growing expectations of companies when reporting on sustainability information.

How is the corporate world responding to these growing expectations?

This article considers how companies can prepare for what’s coming in sustainability assurance and the steps to take to set their strategy and start their journey now. This is so, be it through mandated or voluntary assurance, organisations can mitigate the growing risks arising from a trust gap in sustainability reporting.

#### • **Who is setting the expectation for sustainability assurance in Europe?**

The ESRS is the first-place European companies, and non-EU groups with a business presence in the EU, will look when it comes to assurance requirements. The European Commission proposal for a Corporate Sustainability Reporting Directive (CSRD) requires companies to report on sustainability issues. Following this, in November 2022, the European Financial Reporting Advisory Group (EFRAG) released 12 European Sustainability Reporting Standards (ESRS) covering general hierarchy, separate ‘E’, ‘S’ and ‘G’ topics as well as general concepts. The 12 ESR standards cover more than 80 disclosure requirements and 1,000 data points. For entities on 2024-year end reports, the requirements for reporting and assurance will come as early as 2025. With the CSRD now in force, there is much to be done if companies are to be ready in time.

*Read - [Finalisation of EU Corporate Sustainability Reporting Directive \(CSRD\) for more.](#)*

In addition, regulators outside Europe can not be

ignored. The SEC is still in process of finalising its rule that would require disclosure of climate-related risks, including assurance over scope 1 and 2 emissions. It also remains to be seen whether the IFRS Sustainability Disclosure Standards may be adopted in various jurisdictions; and if they will be adopted with a view to implement future assurance requirements for certain companies.

Alongside this other local regulations continue to develop, most recently the Securities and Exchange Board of India (SEBI) announced a requirement for mandatory reporting on a number of sustainability KPIs and mandatory reasonable assurance for those disclosures. The regulation takes a staggered approach with a number of listed entities being impacted as early as FY24 and additional value chain disclosures and assurance on a ‘comply or explain’ basis from FY25. This will almost certainly result in requests for information from subsidiaries, customers or suppliers headquartered outside of India.

*A more detailed insight into the ‘big three’ standard setters can be found in PwC’s in-depth - [‘Navigating the ESG landscape’](#)*

Assurance standards, ISSA 5000 in particular, are also relevant. Covering ‘general requirements’, the new standard will be framework neutral and principles-based. This means it can be applied to all sustainability frameworks and standards, as well as all sustainability subject matters. It, therefore, may be applied and perhaps supersede the current ISAE 3000(R) / ISAE 3410(R) standards, when it comes to assurance engagements over CSRD reporting. ISSA 5000 will include guidance for both limited and reasonable assurance engagements and can be expected to be expanded upon in future years with additional specific ISSAs that dive deeper into assurance over certain subject matters. It is not yet clear whether the EU will adopt ISSA 5000; instead it may adopt its own standard or complement the standard with EU specific guidelines. However what is clear is that the development of the standard is looking to the future and encompassing the growing demand for assurance over sustainability reporting and the step up to reasonable assurance.



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• **The audit committee should expect a growing role...**

Regulatory inquiries, negative press coverage, loss of competitive advantage, decrease in stock value... These are all examples of the negative impacts of publicizing inappropriate sustainability information, or omitting significant disclosures.

Audit committees have long acted as a critical function for companies. They provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. There is already a pattern of movement towards similar responsibilities being conferred in regards to sustainability reporting:

- Under the CSRD, the audit committee will have a direct oversight role over sustainability reporting, similar to their oversight on financial reporting.
- Under the proposed SEC climate-related disclosure regulation, new information that is required to be included in the financial statements footnotes will increase responsibility of management and audit committees, including under the Sarbanes-Oxley rules.
- National jurisdictions may also integrate new responsibilities for boards of directors and audit committees through their own corporate governance codes

As regulatory requirements ramp up and reporting continues to be increasingly important to investors and other stakeholders' decision-making, audit committees will see sustainability reporting and assurance oversight moving into their sphere of responsibility. Audit committee will need to be ready for:

- the new types of disclosures to navigate, like the future-orientated information required in transition plans and scenario analysis,
- the reliance they will need to place on third party data and for requests from companies to rely on their own data,
- for disclosures that require information along the full upstream and downstream value chain, and
- an overall strategy that gives the time and resources needed to prepare to mitigate risk of qualification in future assurance reports.

• **Preparing for sustainability assurance - where to start?**

Setting your sustainability assurance strategy early is key. Below we set out five 'no regret' steps to guide your journey.

1. *Confirm whether sustainability information currently reported is aligned with strategy*

Defining a strategy starts with a clear picture of your current status and a complete understanding of publicly reported sustainability information across all communication channels, for example corporate reporting, websites and marketing material. It is critical to understanding what is in the public sphere and whether the information is relevant to the business, strategy and stakeholders to be sure that you are assuring what matters. You may consider industry/peer practices, entity public commitments (such as net zero emissions) and sustainability KPIs in management compensation schemes, when making this determination.

**Support for your journey**

**Tailored training or upskilling workshops** may assist in determining what matters to your industry, entity, and to your stakeholders, and keep you up to date on the fast-paced and ever changing ESG regulatory environment.



**A gap assessment**, including interviews, walkthroughs and review of key documentation, can provide a high level assessment of data quality, reporting criteria and governance structures and processes for ESG reporting. Additionally it could help you to understand your current status in relation to KPIs and/ or disclosure requirements per specific standards and framework relevant to you (e.g. CSRD) or provide insight on whether your materiality assessment aligns with the same.



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## 2. *Be prepared for the global rise of new regulation*

Understanding early the scope and timing of current or proposed sustainability reporting and assurance regulations is critical to determining your strategy and timing. This includes consideration of cross-border impacts of certain regulations and anticipation of further changes in global sustainability regulation.

Even if you don't believe your organisation is subject to regulation, anticipate changing investor needs and broader stakeholders' expectations. For example, regulation can impact an organisation beyond its traditional boundaries with a need for upstream and downstream value chain information (such as scope 3 GHG emissions). That means entities relying on your information and you in turn relying on theirs - would you be confident in relying on unassured information and would your customers or suppliers feel the same?



**A preconditions assessment** considering ability to meet the requirements of an assurance engagement (e.g. appropriate subject matter, suitable criteria, availability of sufficient appropriate evidence) can support your preparation for regulation and/or your voluntary assurance strategy.

## 3. *Confirm the level and type of external assurance that will give credibility to your reporting*

Assurance can be over a selection of KPIs or a full sustainability report and be to a limited or reasonable level. Beyond regulation, consider your needs - for decision making, strategy versus your competitors, reputational risks or stakeholders' concerns about greenwashing. Think about how assurance can create an additional line of defence against each of these risks and investors' preference. In PwC's 2022 Global Investor Survey, 75% investors said they would have moderate or higher confidence in sustainability reporting if independent reasonable assurance is obtained (that is. to the same level as financial statements), compared to 54% having moderate or higher confidence where independent limited assurance is obtained (here). 74% investors also said they would have moderate or higher confidence in reporting where assurance covers reporting as a whole (not just a subset of what is reported) (here). This preference for reasonable assurance and assurance over a full sustainability report may help to define your target in terms of the scope of information assured, level of assurance and timeline.

## 4. *Ensure a practical path to assurance is defined*

Understanding the maturity of your sustainability reporting process is critical to meet the expectations of a thorough assurance process. It also provides visibility on effort and time needed to prepare. There are a multitude of options that can support progress towards your target, for example you may choose to start with limited assurance over a selection of KPIs and expand these to achieve reasonable assurance of your full sustainability report, over a number of reporting cycles.

It is important to continually assess your assurance strategy and evaluate whether this adequately reduces risks. These risks could include: failure to address regulation, risk of receiving a qualified external opinion, or reputational risk and/or loss of competitive advantage from failure to gain assurance in line with stakeholder expectations.



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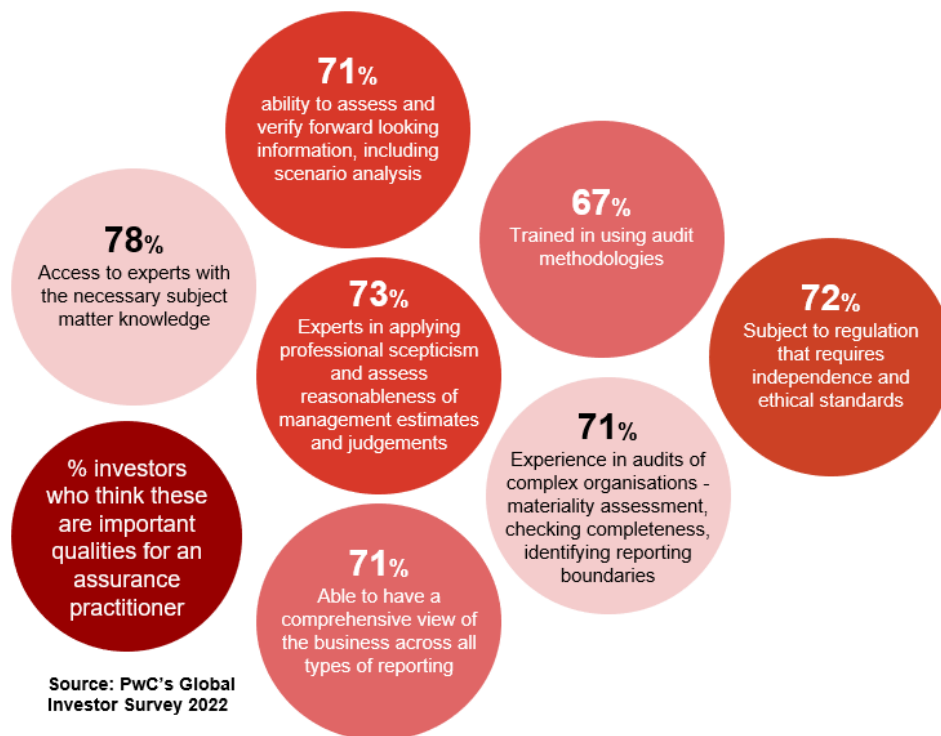
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### 5. Choose an assurance provider

Stakeholders, and upcoming regulations, expect the audit committees to step up and challenge the selection of sustainability assurance providers as they do for financial audit. Consider expertise in subject matters, experience in implementing assurance methodology in complex environments, independence and ethical standards, professional scepticism and a comprehensive view of industries and organisations, across all types of corporate reporting. Interrelation between sustainability and financial assurance strategy can also bring tangible time saving benefits as well as consistency across corporate reporting as a whole.

Expectations of assurance providers are high. Understanding what each provider offers and whether they are able to meet your expectations is important to a credible strategy and ensuring you are supported on your journey over a range of geographies, global and local needs, and beyond the baseline.



#### • Preparing for sustainability assurance - when to start... now!

Sustainability reporting and assurance requirements are coming fast. Especially in Europe with ESRS regulation impacting some entities as early as 2025. Companies, and their governance bodies, need to act now or face growing risks of non-compliance, reputational risks or loss of competitive advantage. Many steps can be taken in preparation for what's coming. There is no better time to consider implementation of a robust strategy that allows for appropriate time and planning, risk mitigation, strong governance and to get the most value from assurance.



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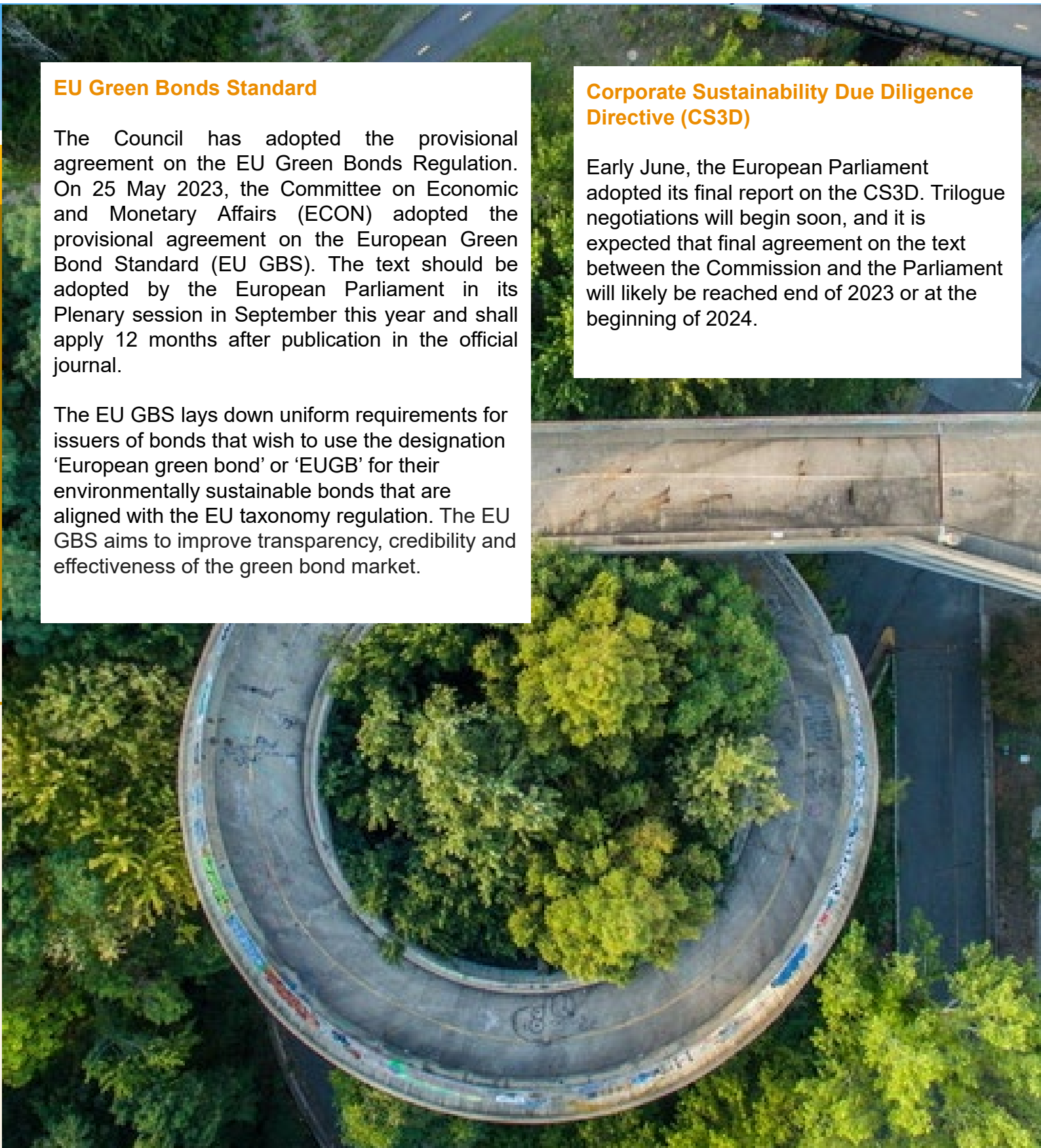
## EU Green Bonds Standard

The Council has adopted the provisional agreement on the EU Green Bonds Regulation. On 25 May 2023, the Committee on Economic and Monetary Affairs (ECON) adopted the provisional agreement on the European Green Bond Standard (EU GBS). The text should be adopted by the European Parliament in its Plenary session in September this year and shall apply 12 months after publication in the official journal.

The EU GBS lays down uniform requirements for issuers of bonds that wish to use the designation 'European green bond' or 'EUGB' for their environmentally sustainable bonds that are aligned with the EU taxonomy regulation. The EU GBS aims to improve transparency, credibility and effectiveness of the green bond market.

## Corporate Sustainability Due Diligence Directive (CS3D)

Early June, the European Parliament adopted its final report on the CS3D. Trilogue negotiations will begin soon, and it is expected that final agreement on the text between the Commission and the Parliament will likely be reached end of 2023 or at the beginning of 2024.



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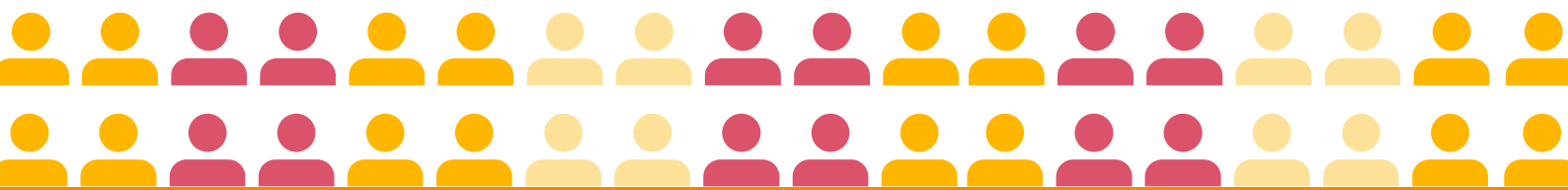
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