

The CSRD: the rules, the impacts, and the challenges they raise for companies

A joint ecoDa / Mazars Series of Webinars

Second Episode

As the Corporate Sustainability Reporting Directive (CSRD) came into force on 5 January 2023, ecoDa and Mazars have launched a series of two webinars to enlighten board members about the new requirements and resulting responsibilities.

This second episode of the joint ecoDa and Mazars series on the Corporate Sustainability Reporting Directive (CSRD) brought together experts and experienced board members to discuss how their roles will evolve in light of the new reporting requirements. Indeed, the CSRD puts boards and audit committees under the spotlight with more transparency requirements on the roles and responsibilities of the governance bodies and how they address sustainability matters.

The reporting exercise should not be seen as a tick-the-box exercise, but rather as an opportunity to better map, assess, mitigate, and integrate sustainability-related impacts, risks, and opportunities into the decision and strategic-making processes.

Sustainability must be approached as a tangible economic value, as a system that should drive companies' long-term vision. It is up to the chairmen/chairwomen to set the tone at the top and establish a meaningful and integrative process that must trickle down to the whole organisation. CEOs might be seconded by a Chief Sustainability Officer on this matter. Little is said of the corporate secretary, but the experts underlined how important is the function to connect the dots, gather all information produced by the committees, and report back to the board so it can make informed decisions.

As the agents of climate proofing, auditors will also play a crucial role, by understanding where the gaps are, what are the companies' systems and processes but also, by guiding the conversation within the board on how to reach the intended long-term goals (is the composition of the board adequate? are the right questions being tackled?). The CSRD confers an additional task to auditors (or independent assurance services providers - option at the discretion of the Member States willing to ensure the company/board can choose its ESG assurance provider), which is to provide limited assurance around a company's reported sustainability information (in 2028 this requirement will move towards reasonable assurance). This implies an upskilling need for the profession.

The effectiveness of companies' governance frameworks has to be internalized and communicated externally. Data governance should be as robust for non-financial as for financial reporting. The concept of materiality would therefore be critical to define what ESG means to the company, and which ESG issues to prioritize in the strategy, capital allocation, risk, and opportunity identification. Metrics and KPIs will also derive from this materiality analysis, and will be the basis for reviewing a set of policies, including remuneration schemes. Integrating ESG metrics in remuneration frameworks is a positive signal companies can send to the market to show their commitment. Related KPIs must only be a few (to ensure that the proportion of each is not negligible) and ambitious enough to ward off the risk of greenwashing. They should also be aligned with the company's overall strategy.

Internal controls will become increasingly important to create and preserve value while minimizing the broader set of evolving risks companies are facing. The way governance bodies have to look at data will also have to mature to embrace the multifaceted characteristics of ESG information (quantitative, forward-looking...). Companies will be more and more scrutinised on the decisions taken from the data, but also on the analysing process itself (how does the board approach the information, what is the prioritisation narrative...).

The experts concluded saying that board members should be curious and open-minded on how they approach things to cover a spectrum as broad as possible. But this would be meaningless with inadequate competencies, training, therefore, remains crucial to navigate this sustainability journey.

Speakers: Leena Linnainmaa (*Chair, ecoDa*), Tina Mavraki (*Non-Executive Director, First Bauxite*), Emmanuel Thierry (*Partner, Mazars*)

The recording of the first episode of the series is [available](#), as well as the one of the [second episode](#).

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