

Mazars contribution to the European Commission consultation on CSRD proposal

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As an integrated partnership delivering audit services to PIEs across 24 EU Member States, Mazars welcomes the Commission initiative to define and coordinate sustainability reporting and assurance requirements at EU level, in order to make companies more accountable for their social and environmental impact, provide investors and other stakeholders with reliable, relevant and comparable information and, in line with the Sustainable Finance Agenda, foster the necessary changes for a sustainable, inclusive and fair economy.

Mazars overall supports the Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD), including the development of European sustainability reporting standards by EFRAG: it is a significant step forward to leveraging non-financial corporate information and incentivizing responsible approaches to business and investment.

Mazars welcomes the CSRD proposal to expand to all large and listed companies the requirement for ESG information, to be reported according to mandatory EU sustainability standards, under a dedicated single digital format, and for this information to be audited. The Directive proposal to categorize sustainability factors according to Environmental, Social and Governance (ESG) pillars, based on double materiality, efficiently addresses the growing need of structured and comparable non-financial information, versus current diverse corporate reporting practices.

While assessing companies' multidimensional and long-term business model and performance, sustainability reporting is to become a critical counterpart to financial reporting. Sustainability reporting and assurance should rely on equivalent quality and reliability requirements to existing financial reporting standards. Hence, Mazars commends the Commission proposals to amend the Accounting Directive, the Audit Directive and the Audit regulation, to involve, harmonize and properly cover the audit of sustainability information within a European level-playing field.

Along with the Commission, Mazars recognizes the need for "uniform assurance practices (...) across the EU", and for further harmonization of the "limited assurance" definition. In addition to the standard-setting process under delegated acts (CSRD Proposal Art. 3 (12), the Commission should further clarify the harmonized roadmap from limited to reasonable assurance.

"To ensure connectivity between, and consistency of, financial and sustainable information" (§ 54), and keep pace with investors' and stakeholders' expectations, Mazars highlights the cornerstone role given to statutory auditors in the CSRD proposal. As quality drivers with a trustworthy methodological approach, they play a key role in building trust and consistency and prevent sustainability reporting from green or rainbow-washing suspicions. This was brought out by the recent worldwide IFAC study *The State of play in Sustainability Assurance*.

Since CSRD is about to create a new market with substantial business opportunities, the Commission should ensure this new market is open and competitive, with no entry barriers, so that companies compelled to meet new sustainability reporting requirements have a real choice - beyond the current four dominant audit networks. Mazars fully shares the Commission concerns on reproducing - and aggravating - the long-lasting financial audit market shortcomings and welcomes the Commission initiative to take into consideration innovative methodological framework such as joint audit to address the risk of "further concentration" (§ 54).

While sustainability reporting requires significant investments, and additional technical and human capabilities, non-dominant audit firms are ready to play a key role in the development of a sound market that supports sustainability reporting and assurance, provided that the regulatory landscape be sufficiently structured throughout the CSRD proposal and the forthcoming Audit Regulation Review.

[Read our contribution on the European Commission's website.](#)