Corporate sustainability reporting and assurance in Europe and Belgium

EU rules and now also Belgian law require large companies and public interest entities (PIEs) to publish annual sustainability reports disclosing their environmental, social and governance (ESG) performance, how their activities impact people and our planet and how societal and climate change affects their business. These companies are also required to obtain independent limited assurance over their sustainability reports.

Our [KPMG Survey of Sustainability Reporting 2024](#) shows that the shift to mandatory sustainability reporting and assurance is still a significant step for most companies, both internationally and especially in Belgium.

In this context, the below article first provides a handy overview of the key European legislation and guidance on sustainability reporting. It also includes the recent transposition hereof into Belgian law.

For additional support, explore our related KPMG guidance, which includes insights and illustrative examples. We understand that applying the reporting standards is a work in progress for many organizations, while stakeholders have high expectations for the quality of ESG reporting.

We also explain how our independent reporting assurance services are fully integrated through one platform, one approach, and one team of empowered KPMG professionals. We transform the assurance experience by leveraging next-generation AI-driven technology to enhance the process, delivering more value, rigor, reliability, and quality.

The European Green Deal, CSRD, and ESRS

An increasing number of undertakings are gradually falling within the scope of these CSRD requirements

On 11 December 2019, the European Commission (EC) announced the European Green Deal to transform the EU into a modern, resource-efficient and competitive economy, targeting no net emissions of greenhouse gases by 2050, pursuing economic growth decoupled from resource use, and aiming to leave no person or place left behind in this transformation.

On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. It modernizes and strengthens the rules concerning the social and environmental information that companies have to report. As part of the European Green Deal, these rules aim to ensure that investors and other stakeholders have access to the information they need to assess the impact of companies on people and the environment. They are also for investors to assess financial risks and opportunities arising from climate change and other sustainability issues, and to reduce reporting costs for companies over the long term by harmonizing the information to be provided.

As from FY 2024, large European public-interest entities (>500 employees) and large listed third-country undertakings (>500 employees).

As from FY 2025, large undertakings that meet at least two out of three of the following criteria:

- *a balance sheet total of 25 million EUR;*
- *a turnover of 50 million EUR; and*
- *250 employees.*

As from FY 2026, listed SMEs (with a possible opt-out until 2028).

As from FY 2028, non-EU parent companies with a combined group turnover in the EU of more than 150 million EUR.

2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028

Companies subject to the CSRD need to report according to European Sustainability Reporting Standards (ESRS). The standards are developed by EFRAG, formerly known as the European Financial Reporting Advisory Group, an independent body bringing together various stakeholders.

The first set of ESRS was published in the Official Journal on 22 December 2023 in the form of a delegated regulation. These standards apply to companies under the scope of the CSRD regardless of which sector they operate in. They are tailored to EU policies, while building on and contributing to international standardization initiatives. Next to these sector-agnostic standards, sector-specific reporting standards will also be developed. These are expected to be adopted by 30 June 2026.

The ESRS are a set of reporting requirements designed to enhance corporate transparency and accountability in sustainability reporting. These standards aim to provide a comprehensive framework for companies to disclose their ESG performance. The ESRS emphasize the importance of materiality, which refers to the significance of certain information in influencing the decisions of stakeholders. Companies are required to identify and report on material impacts, risks, and opportunities (IROs) that affect their business model, strategy, and decision-making processes.

A key component of the ESRS is the Double Materiality Assessment (DMA), which requires companies to evaluate both financial and non-financial IROs. This dual approach ensures that companies consider not only how sustainability issues affect their financial performance but also how their operations impact society and the environment. The DMA process involves identifying material IRO's, assessing their significance, and determining their interaction with the company's strategy and business model. This comprehensive evaluation helps companies to provide a more holistic view of their sustainability performance.

The implementation of ESRS and DMA has been observed in various companies, with initial practices highlighting the diverse approaches taken by different industries. The ESRS continue to evolve, enabling companies to effectively communicate their sustainability efforts to stakeholders.

Besides the above sustainability information, the CSRD equally requires in-scope companies to disclose the eligibility and alignment of their activities in accordance with the EU Taxonomy regulation, which aims to facilitate sustainable investments as part of the European Green Deal. In short, the EU Taxonomy is a classification system that establishes a list of environmentally sustainable or 'eligible' economic activities. Companies must disclose how their eligible activities 'align' with the Taxonomy's Technical Screening Criteria (including substantial contribution, do-no-significant-harm, and minimum safeguards) and report three specific key performance indicators (turnover, capital expenditure, and operating expenditure, for corporates (other KPIs for financial institutions)) related to their sustainable activities.

Further, the CSRD introduces stringent assurance requirements to ensure the reliability and accuracy of sustainability information disclosed by companies. Companies are required to obtain limited assurance on their sustainability reporting, which involves an independent verification of the reported data. This assurance must be conducted in accordance with applicable (inter)national standards and the requirement emphasizes the importance of data quality, reporting procedures, and controls. The assurance process includes evaluating the company's adherence to the applicable European sustainability standards. In addition to the current limited assurance requirements, the CSRD includes a clear ambition that companies over time transition to reasonable assurance which means that companies will need to obtain a higher level of assurance, that involves a more in-depth verification process. The CSRD assurance requirements aim to enhance the credibility of sustainability reporting, providing stakeholders with greater confidence in the disclosed information.

Also note that the CSRD mandates the digital tagging of reported sustainability disclosures using the European Single Electronic Format (ESEF) XBRL taxonomy. This requirement ensures that sustainability information is machine-readable, enhancing transparency and comparability. On 30 August 2024 the EFRAG published the ESRS Set 1 XBRL Taxonomy, which provides the necessary tags for each data point and dimensional disaggregation defined in the ESRS disclosure requirements. While digital tagging, and assurance hereof, will not be mandatory until the European Commission adopts the XBRL taxonomy as part of the ESEF Regulatory Technical Standards (RTS), this CSRD direction aims to streamline sustainability reporting and improve data accessibility.

Finally, note there is overlap between the CSRD, the EU Taxonomy regulation, and the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU aims to reduce the reporting burden for companies. The first "Omnibus Simplification Package" proposal was announced on 26 February 2025. This Omnibus I package when adopted will strongly reduce the scope and requirements of the CSRD, EU Taxonomy and CSDDD, bringing significant administrative relief and making sustainability reporting much more efficient and accessible.

European guidance, explanations, and answers to FAQs

[The first three ESRS Implementation Guidance documents] reflecting the outcome of the public feedback have been released by EFRAG on 31 May 2024: EFRAG IG Materiality Assessment, EFRAG IG 2 Value Chain, and EFRAG IG 3 ESRS Datapoints.

In November 2024, EFRAG published an early draft implementation guidance for transition plans for climate change mitigation (IG 4). Once finalized, likely in 2025, IG 4 will provide support for undertakings required to report on their climate transition plans under the CSRD.

In December 2024, also in relation to ESRS an updated compilation of 157 Explanations was released by EFRAG to respond to various technical questions on the ESRS raised in the period January – November 2024, and a further compilation of 5 Explanations provided on questions of December 2024.

To support companies in scope of the CSRD, the EC has issued on 13 November 2024 interpretations to 90 CSRD related Frequently Asked Questions (FAQ's) covering which companies are in scope, practical arrangements for publishing disclosures, and details around the assurance of these disclosures.

As part of the EC's continuous effort to make the EU sustainable finance framework more usable and reduce the administrative burden on companies, it has issued on 29 November 2024 interpretations on 155 EU Taxonomy related Frequently Asked Questions covering certain provisions of the six environmental objectives, the do-no-significant-harm criteria, and the taxonomy disclosures delegated act.

CSRD transposition into Belgian law

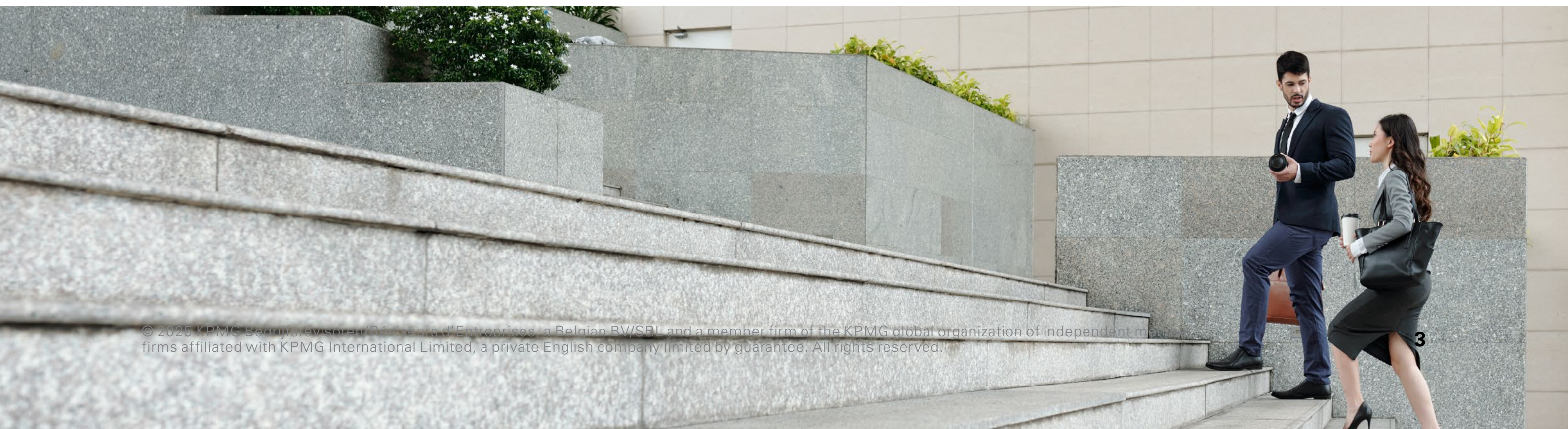
As said, the CSRD came into force in January 2023 and per the above-described staggered timeline, the first in-scope companies have begun applying the rules in the 2024 financial year, with their first reports to be published in 2025.

Member States had until 6 July 2024 to transpose the CSRD into national law. However, in September 2024, the EC opened infringement procedures against 17 Member States, including Belgium, for missing the deadline.

The Belgian national law transposing the CSRD was adopted in November 2024, published in the Belgian State Gazette on 20 December 2024, and officially entered into force thereafter.

The Belgian legislation transposing the CSRD integrates the requirements of the CSRD into Belgian law with the addition of some (limited) particularities which include, amongst others:

- A so-called safe harbor clause is also built into the Belgian law since very exceptionally the disclosure of certain information may be omitted when reporting that information significantly harms the commercial interests of the company and if its omission does not adversely affect the true and balanced picture of the company and its activities.
- The Belgian law specifically protects small and medium-sized enterprises (SMEs) from excessive reporting and assurance demands as they cannot be asked (by stakeholders and larger companies in particular) to provide more data than those under the voluntary or VSME standard (which is still under development) or to obtain independent assurance on the data they voluntarily provide.
- As the sustainability information is part of the company's annual report it must be submitted in one of the national languages of Belgium – Dutch, French, or German – in relation to where the company's registered office is located.
- The independent assurance on the reported sustainability information must be provided by the statutory auditor or another registered auditor. Other independent assurance service providers can apply for accreditation and offer these services beginning three years after the law entered into force.
- In Belgium every company with an average of more than 100 employees needs to set up a corporate worker's council, and this council needs to be provided with the sustainability information.
- In line with sanctions for failure to file or late filing of annual accounts the Belgian law provides for the possibility of punishing CSRD violations with fines, and with imprisonment in cases of fraud.



KPMG sustainability and connected reporting guidance

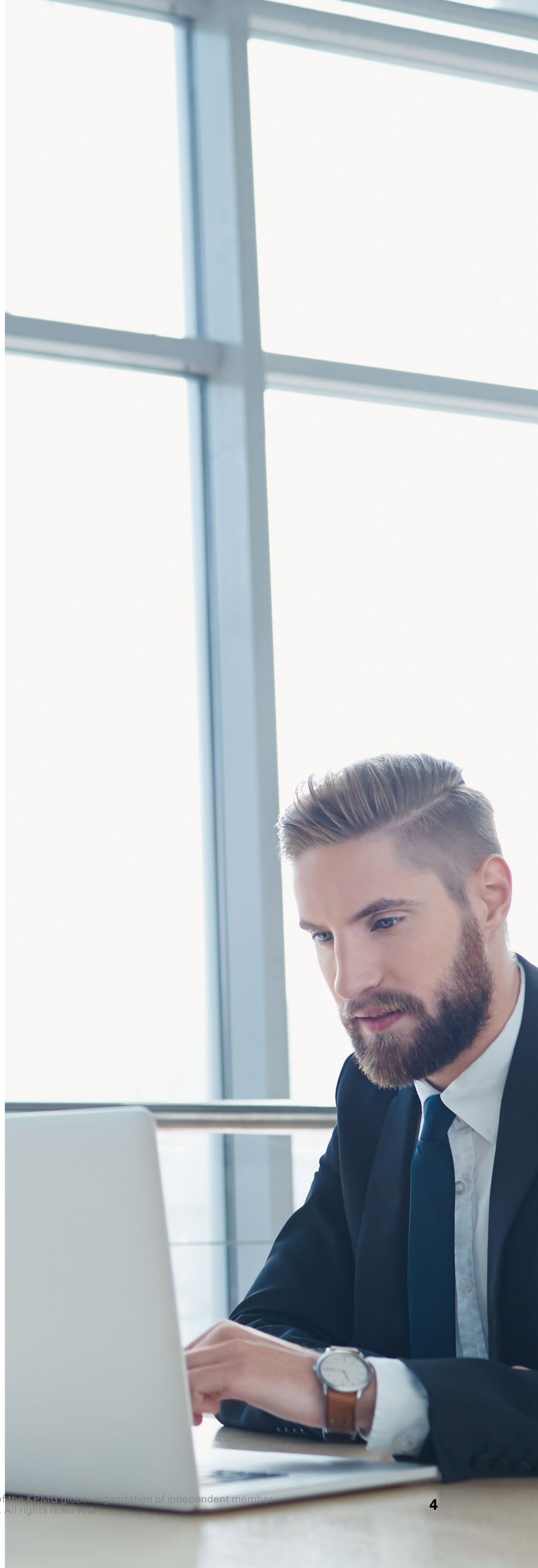
As summarized above for Europe and Belgium, the global ESG reporting landscape is truly and rapidly transforming, with corporate activity set to be highly scrutinized under the new sustainability reporting standards. And timing is critical because both the international and EU reporting standards are now effective for companies in scope. These companies are to learn and adapt quickly to get their sustainability transformation and reporting up to speed.

For many, there are new and complex concepts to understand such as double materiality assessment and providing information related to a company's value chain. This will be challenging for many organizations, and we understand that applying the reporting standards is a work in progress, while stakeholders have high expectations for the quality of ESG reporting.

At KPMG, we are here to help: our recent publication ESRS Foundations provides you with our comprehensive guidance. It explains these new concepts and will help you to understand how your company might apply the standards. It cuts through the complexity of ESRS, putting the detailed requirements together in one place and articulating them in plain English. It also includes insights and illustrative examples to help you anticipate some of the key impacts.

Companies need to be ready for enhanced sustainability-related reporting and report on the whole value chain across a broad range of ESG topics, subject to transition options. Staying up to date is key as new standards are driving significant change in the scope and scale of reporting. Preparing for each change requires performing a gap analysis and identifying the information you'll need to report, as well as designing a plan to gather and report relevant data. Stakeholders will further expect connectivity across your reporting – with your financial and non-financial information telling a connected story throughout your corporate report.

Sustainability reporting is here, and now is the time to act. We invite you to explore our KPMG ESRS Foundations and other KPMG resources designed to support and guide you in aligning your strategic, sustainability, and financial corporate reporting with the evolving reporting landscape.



KPMG Readiness Assessment and Integrated Audit & Assurance Services

KPMG provides independent assurance on sustainability metrics and compliance with reporting frameworks such as the CSRD and ESRS. The assured subject matter may relate to information on business performance or processes and is usually reported in a sustainability report or statement which, like under the CSRD, can be part of an organization's (financial) annual report.

Assurance on this kind of information is generally performed using an internationally recognized assurance standard such as the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Limited or reasonable assurance procedures can be performed under these standards. Currently most voluntary assurance engagement as well as the first mandatary assurance engagements under the CSRD provide limited assurance procedures and conclusions. In addition to the initial limited assurance requirements, the CSRD includes a clear ambition that companies transition to reasonable assurance over time.

Our sustainability assurance professionals can ensure the completeness and accuracy of environmental, social and governance information disclosed in the organizations' corporate reports. Before starting the assurance process, it's recommended to conduct a readiness assessment to identify which areas are ready for reporting and assurance, and which need further improvement.

Once the sustainability information is ready for assurance, we use the following approach:

1. Obtain an understanding of the materiality assessment and sustainability governance process, and of the ESG management and reporting processes;
2. Perform selected substantive assurance procedures addressing identified risks in relation to the completeness, accuracy, and comparability of the data and information reported; and
3. Communicate relevant improvement observations and report our independent assurance conclusion.

At KPMG, our independent reporting assurance services are fully integrated through one platform, one approach, and one team of empowered KPMG professionals. We transform the assurance experience by leveraging next-generation AI-driven technology to enhance the process, delivering more value, rigor, reliability, and quality. Our integrated KPMG audit and assurance services proposition explains how we innovate in audit, integrate ESG assurance, customize the KPMG Clara client collaborative platform, and leverage our Global Corporate Reporting Institute, all to benefit your company.

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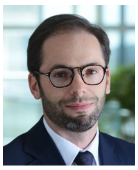

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