

**IBR-IRE**

Institute of  
Registered Auditors



## **SUSTAINABILITY: STRATEGY AND REPORTING**

THE REGISTERED AUDITOR,  
YOUR TRUSTED ADVISOR

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# 1

## Introduction

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## Introduction

### Why did we create this information guide?

The fact that you are holding an information guide on sustainability strategy and communication says something about you. You are active in business. You are faced with sustainability policy and communication commitments and opportunities. And you want to keep up with the latest requirements and possibilities in this area. Admittedly, that's a challenge in itself! We created this information guide to help you reach your goals.

We, that is the Belgian Institute of Registered Auditors, or IBR/IRE.

Sustainability is a current, non-financial topic of particular concern to you and us as auditors. It is also in constant evolution. At this time, certain deadlines of the **European Corporate Sustainability Reporting Directive** (CSRD) have been temporarily postponed by the so-called '**Stop the clock**' directive which has now been implemented in a law passed in early December. As an undertaking, you are encouraged by the CSRD to take steps towards the **structuring, transparency and quality** of your sustainability information, a responsibility no longer reserved to large undertakings.

Nowadays, sustainability reporting is also important for **you, as a small or medium-sized enterprise (SME) or association**.

A major step was taken **especially for SMEs** on **30 July 2025**, when the **European Commission** recommended the use of a voluntary standard developed specifically for micro-undertakings and non-listed SMEs to prepare sustainability reporting: the **VSME** (published by EFRAG in December 2024)<sup>1</sup>.

#### This voluntary VSME standard aims to:

- improve the management of your sustainability-related challenges as an SME, in order to enhance your competitiveness and resilience;
- ensure that you as an SME can more easily respond to sustainability information requests from large companies, investors, financial institutions, or other stakeholders, who are themselves subject to the CSRD;
- strengthen your role in the value chain as an SME thanks to the voluntary standards, by preventing excessive demands for sustainability reporting by large companies.

**Communicating about your sustainability** efforts is definitely worthwhile, as it is a true lever of **confidence**, a **gateway to financing** and an asset in terms of **competitiveness**. The VSME helps you achieve this goal while reducing the administrative burden on SMEs.

#### What can you expect from this guide?

- a **broad overview** of sustainability reporting, whether on a mandatory or voluntary basis;
- more **insight** into standard setting and regulatory developments in this regard;
- **practical guidance** to better prepare for and respond effectively to information requests from various stakeholders; and
- an explanation of the extent to which a **registered auditor** can add value to this process.

**Who are we specifically targeting?** This guide is mainly intended for **undertakings and associations not subject to the CSRD** (those that do not meet the legal thresholds of the CSRD in Belgium). However, its content will also be highly relevant for undertakings that will fall within the scope of the CSRD **in the coming years** (the so-called 'second wave' companies).

<sup>1</sup>[Commission Recommendation \(EU\) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings](#)



## Why engage a registered auditor?

Companies are expected to make increasing sustainability efforts. Similarly, relevant laws and regulations are also constantly evolving. Knowing all the requirements and options at all times isn't easy. In this context, the **registered auditor** is much more than a financial auditor: they become a **strategic partner**, providing assistance to undertakings and associations in various domains. Specifically, this means:

- **understanding** the requirements of European standards (such as the European Sustainability Reporting Standards, **ESRS**, or the **VSME**), as well as international standards (such as **IFRS S1** and **S2**), whether in the context of mandatory or voluntary reporting;
- **advising** you on the implementation of reliable data collection processes, while complying with the applicable independence requirements;
- **helping** you to continuously **improve** your sustainability reporting practices; and
- providing **independent assurance** on reported sustainability information

Engaging a registered auditor therefore means gaining in **efficiency**, **credibility**, and **rigour**.

### **... Because of the registered auditor's unique expertise rooted in experience**

For more than 70 years, ever since the creation of the Belgian Institute of Registered Auditors (IBR/IRE) in 1953, registered auditors have been instilling **confidence** in financial markets and stakeholders through:

- their role as **statutory auditor** regarding financial information; and
- **their added value as advisor** to both large and small undertakings in Belgium.

Even though **sustainability indicators** (greenhouse gas emissions, energy, diversity, safety, accident statistics, corruption and bribery incidents, whistleblower reports, etc.) differ from **financial indicators** (turnover, profit, balance sheet, etc.), the governance **processes**, the control approach through auditing, as well as the internal control systems (operational and IT) remain **comparable**.

The registered auditor's cross-disciplinary **experience** in business management – across all business domains – makes them a key player. Also when it comes to sustainability! The registered auditor can ensure the **quality** of the implementation of a sustainability strategy and the reported sustainability information on environmental, social, and governance (ESG) performance. They are also in the best position to understand the interactions between financial and non-financial information.

### **... Because of their skills tailored to current challenges**

The expertise of registered auditors is not static. They have been undergoing continuous training in the technical and practical aspects of corporate sustainability reporting, with a particular emphasis on:

- the **CSRD** and **ESRS**, with a focus on **double materiality** (focusing on what truly matters and where the undertaking can have a significant impact);
- the **VSME for SMEs**; and
- **recent European developments** (**Omnibus proposals**, directives, and resulting delegated acts).

This training enables registered auditors to provide you with accurate and timely information, empowering you to make informed decisions regarding your sustainability strategy and its implementation, taking into account your specific circumstances.

### **... Because of their multifaceted role: auditor and advisor**

The registered auditor provides real **added value** to all organisations, whether you are now:

- **subject** to the obligation to disclose sustainability information;
- or choose to do so on a **voluntary** basis.

The registered auditor's remit covers **a wide range of services**: **audit, assurance, strategic advice and practical guidance**.

Always with the aim of strengthening stakeholder trust and helping you make progress in your sustainability journey.





## Executive summary

# Sustainability: an opportunity, not just an obligation

All stakeholders – regulators, governments, users, auditors, the public at large – agree that the need for sustainability information will not diminish. Quite the opposite! Undertakings as well as associations will in all likelihood have to answer more and more such requests from various stakeholders.

**A sound piece of advice:** do not view these requests as merely a compliance obligation or a necessary evil; rather, embrace this shift and leverage it to create **added value for your organisation**.

Whether or not your undertaking falls under the scope of the **CSRD**, it's always worth **communicating** about your sustainability efforts. The topics would include:

- improving your emissions data;
- investing faster than your competitors to achieve your environmental goals;
- ensuring transparency on gender and other relevant employee data (including health and safety statistics);
- and highlighting your organisation's positive impact, or how you mitigate or manage negative impacts and risks across your own operations and value chain, and so on.

Communicating these efforts can help you better **position** your undertaking to **access capital, valuable talent, natural resources** and therefore seize new **opportunities** as well.

**How do you turn this into a success story?** Active engagement in these processes is already an important step forward. But having **your efforts validated by an independent expert** can significantly enhance their impact. This expert may be your statutory auditor or a **registered auditor**, whose profession combines a unique set of relevant skills and experience, whether for:

- **mandatory assurance**;
- **voluntary assurance**; or
- **an advisory engagement** covering environmental, social, and governance (**ESG**) aspects, relating to the comprehensive sustainability report (mandatory or voluntary) or to certain key performance indicators.

The **registered auditor** brings a wide range of **knowledge and skills**, including:

- more than 75 years of combined experience in auditing and advising in Belgium relating to national and international reporting standards, as well as applicable legislation and regulations;
- expertise in risk assessment for the implementation of internal control systems, including IT systems, and decades of experience in auditing reporting processes, governance, and internal control structures;

- targeted training on sustainability-related topics;
- technical expertise and assessment of materiality and ESG issues (knowledge of reporting standards, technical aspects such as greenhouse gas emissions, pollution, hazardous substances, biodiversity, circular economy, and value chain mapping);
- local and international benchmarking of ESG performance and reporting maturity, taking into account sector-specific characteristics;
- preparing undertakings and associations for assurance and providing comfort to users of their sustainability information, whether comprehensive reports or specific datasets;
- experience with advanced technological solutions based on Artificial Intelligence (AI);
- communication skills with internal (staff, management, board of directors) and external (regulators, governments, professional federations, etc.) stakeholders;
- contributing to confidence in non-financial information for a wide audience of stakeholders and users of sustainability information.



### This Information Guide...

explains the benefits that sustainability practices can yield for your undertaking and how a registered auditor can help you achieve them by providing your organisation with a unique competitive edge and positioning it as a leader in your sector, industry, geographic area, or any combination thereof.





## 2

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# Mandatory sustainability reporting: what's in the law?

Since 2024, certain large undertakings are required to disclose information on their ESG impact.

## What is the new legal framework?

The **CSRD**, transposed through the **CSRD law of 2024**<sup>2</sup>, was applied for the first time by large listed companies (PIEs) for their financial year starting on or after **1 January 2024**. This law amends the Code of Companies and Associations (CCA) among other texts. The CSRD replaces the former Non-Financial Reporting Directive (NFRD) and significantly expands its obligations. All large undertakings and listed companies are now required to publish sustainability data, regardless of their sector.

## Which undertakings are in scope?

The CSRD law currently applies to:

- **Large undertakings exceeding** at least two of the following criteria for two consecutive years:
  - balance sheet total: €25 millionn
  - net turnover of € 50 million
  - annual average number of employees (FTE): 250
- **Public Interest Entities (PIEs):**
  - listed companies
  - banks, insurers, reinsurers, and credit institutions
- **Groups** preparing consolidated financial statements and exceeding the same thresholds.

*Please note that the implementation thresholds of the CSRD have been revised following an agreement between the European Commission, the European Parliament, and the Council of the European Union, finalised in December 2025. Under this agreement, the threshold for the average number of employees is raised to more than 1,000 employees and the annual turnover threshold to more than €450 million. A directive reflecting these changes will be published in early 2026 and will have to be transposed in Belgium no later than 2027 (within 12 months of its publication in the Official Journal of the EU) through an amendment to the CSRD law of 2 December 2024, also taking into account the effects of the "Stop the clock" directive transposed into Belgian law in early December 2025.*

## Gradual implementation: what does it mean?

The law provides for a **gradual implementation** of reporting obligations. As stated in the previous paragraph, Belgium implemented the 'Stop the clock' directive adopted at European level on 14 April 2025, transposed into national legislation on 12 December 2025<sup>3</sup>. This law of 2025 provides for a two-year postponement of requirements for second and third wave undertakings, as mentioned in the table below.

<sup>2</sup>Law of 12 December 2024 on the disclosure, by certain companies and groups, of sustainability information and on the assurance of sustainability information and laying down various provisions, Belgian Official Gazette (BS/M.B.) 20 December 2024

<sup>3</sup>Law of 12 December 2025 modifying art. 116 of the Law of 2 December 2025 (implementation of the Stop the Clock). M.B. 23 December 2025.





## Scope and timeline – CSRD

Types of undertaking	CSRD law of 2 December 2024 (=> CCA)		Stop the clock EU and law of 12 December 2025		Explanation
	Fiscal year	Publication of the report	Fiscal year	Publication of the report	
Large PIs with more than 500 employees (= <b>first wave</b> ; i.e. all undertakings already subject to the Non-Financial Reporting Directive (NFRD))	2024	2025	2024	2025	No change
Large undertakings not currently subject to the NFRD (= <b>second wave</b> ). Within the scope if they meet two of the following three criteria: <ul style="list-style-type: none"><li>• 250 employees</li><li>• Net turnover of € 50 million</li><li>• Balance sheet total: €25 million</li></ul>	2025	2026	2027	2028	Postponed by two years
Listed SMEs, small and non-complex credit institutions and captive insurance undertakings (= <b>third wave</b> )	2026	2027	2028	2029	Postponed by two years (possible opt-out due to the proposed CSRD amendments)
Non-European undertakings with at least one large subsidiary undertaking (€ 50 million net turnover and more than 250 FTEs) or one large branch (€ 50 million net turnover) in Europe and a turnover of more than € 150 million in the EU (= <b>forth wave</b> )	2028	2029	2028	2029	No change in timing, but following the Omnibus proposal: an increase in the turnover threshold from more than € 150 million to more than € 450 million in the EU



## What information must be disclosed?

Undertakings in scope of the CSRD law must include sustainability information (which may be consolidated) in their management report, in accordance with the European Sustainability Reporting Standards, known as **ESRS**<sup>4</sup>. Specifically, these undertakings must explain:

- **How their activities impact the environment and society** (e.g. CO<sub>2</sub> emissions, respect of human rights, etc.);
- **How sustainability issues affect their own activities, performance, and financial position** (e.g. climate-related risks, resource depletion, regulatory developments, etc.).

The ESRS consist of two categories:

- **Cross-cutting standards:** applicable to all sectors, containing general requirements and definitions for preparing a sustainability report (ESRS 1), and general disclosure requirements (ESRS 2);
- **Topical standards:** grouped into three topics: environmental<sup>5</sup>, social<sup>6</sup> and governance<sup>7</sup>.

Certain standards must be applied by all undertakings subject to the CSRD. This is notably the case for **ESRS 1 (General Requirements)** and **ESRS 2 (General Disclosures)**.

The other standards only apply when they relate to a topic deemed material to the undertaking, based on the results of the **double materiality assessment**. (See below!)

Have you reached a point where you can no longer see the forest for the trees when it comes to sustainability legislation, standards and the associated jargon? Feel free to talk to a registered auditor about it. They'll give you reliable answers!

<sup>4</sup>The European Sustainability Reporting Standards (ESRS), adopted at European level through delegated acts, apply directly in Member States that have transposed the CSRD, such as Belgium, since 1 January 2024, for financial years starting or after 1 January 2024.

<sup>5</sup>ESRS E1 to E5 cover respectively: climate change (E1), pollution (E2), water and marine resources (E3), biodiversity and ecosystems (E4), and resource use and circular economy (E5).

## Sector-agnostic standards based on the double materiality principle

The ESRS are sector-agnostic standards, meaning that they apply to all undertakings regardless of the sector(s) in which they operate. They define a set of disclosure requirements that undertakings must comply with when preparing and disclosing sustainability information. These concern various sustainability **polices, actions, goals, and metrics**, as adopted by the European Commission. **The double materiality assessment** – the importance of the information for the undertaking in question – forms the basis of sustainability reporting.

**Double materiality** has two dimensions, namely:

- **impact materiality**, which relates to the undertaking's effects on people and the environment; and
- **financial materiality** of these topics, namely their potential impact on the undertaking's performance, financial position, or cash flows.

## Which relevant information do you need to disclose?

Stakeholder engagement is a key element in the process of identifying relevant information to be disclosed. ESRS 1 outlines the methodology to be followed, including how topics should be assessed and prioritised (scoring).

The ESRS are designed to ensure consistency with various international frameworks and existing regulations:

- the European taxonomy;
- the SFDR (Sustainable Finance Disclosure Regulation);
- the EMAS Regulation (European Eco-Management and Audit Scheme);
- the GRI Standards (Global Reporting Initiative);
- the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD); and
- the Greenhouse Gas (GHG) Protocol standards.

In addition, the ESRS are designed to be consistent with the IFRS S1 and S2 standards developed by the ISSB (International Sustainability Standards Board) and discussed further on page 19.

<sup>6</sup>ESRS S1 to S4 cover respectively: own workforce (S1), workers in the value chain (S2), affected communities (S3), and consumers and end-users (S4).

<sup>7</sup>ESRS G1 covers business conduct.



## Assurance requirement under the CSRD law

The **CSRD law** requires undertakings in scope to obtain **limited assurance** on their sustainability information published in the annual report. This assessment must be carried out by the **statutory auditor** or a **registered auditor**<sup>8</sup>, in accordance with international standards applicable to assurance engagements<sup>9</sup>.

In Belgium, this requirement was already applicable in 2024 for first wave undertakings ([see table above](#)). For other categories of undertakings, the limited assurance requirement will depend on whether they exceed the revised CSRD thresholds for turnover (€450 million) and average number of employees (1,000), thresholds agreed upon in December 2025 by the European Parliament, the Council of Ministers, and the European Commission, and this in conjunction with the effects of the 'Stop the clock' directive.

## Limited assurance engagement

### First and foremost, what is an assurance engagement?

- An **assurance engagement** is a professional service within the framework of which an independent expert obtains sufficient appropriate information to express a conclusion.
- The reasonable or limited level of assurance aims to enhance the degree of **confidence** of the intended users, other than the responsible party, in the sustainability information.

### Type of assurance under the CSRD law of 2024

- In the case of **limited assurance**, the CSRD law requires a less extensive type of assurance than the reasonable assurance used for financial statement audits.
- While less detailed, the **procedures** for a limited assurance engagement do provide a **meaningful assurance level**, based on the registered auditor's professional judgement.

### What does the 'limited assurance' level aim to achieve?

- The 'limited assurance' level must make it possible to increase significantly the user's confidence in the sustainability information, assessed according to established criteria, in particular the applicable European Sustainability Reporting Standards (ESRS).
- The registered auditor's conclusion must be able to state that there is no reason to believe that the sustainability information contains material misstatements, using wording such as: *"Based upon the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's sustainability information, in all material respects...<sup>10</sup>"*

<sup>8</sup>The assurance engagement is carried out by the statutory auditor already in charge of the financial audit, or by another registered auditor appointed solely for this engagement.

<sup>9</sup>The European Commission's initial proposal to develop a specific European assurance standard has been postponed in the context of the Omnibus proposals.

<sup>10</sup>For the full content of the conclusion, see the following section: ["Limited assurance: what is the scope? Based on which standard?"](#)



## Reliability enhanced by the registered auditor's assurance

How can the **reliability** or **credibility** of **financial** and **sustainability information** be guaranteed?

This is assured in the registered **auditor's** report, provided that the report's conclusion is based on a qualitative standard. The **assurance report** then contributes to strengthening the confidence of stakeholders in the quality of the information provided. In turn, this will enable internal or external stakeholders to make informed decisions and take appropriate actions.

The registered auditor has built up **expertise** in the use of **internationally recognised methodologies** (including in the audit of financial information) to assess and provide a certain level of assurance on the **quality** of the information, for the benefit of an organisation or undertaking. This then promotes the quality of the work performed and allows users of the information to understand the work conducted and the **assurance provided**, including across borders.

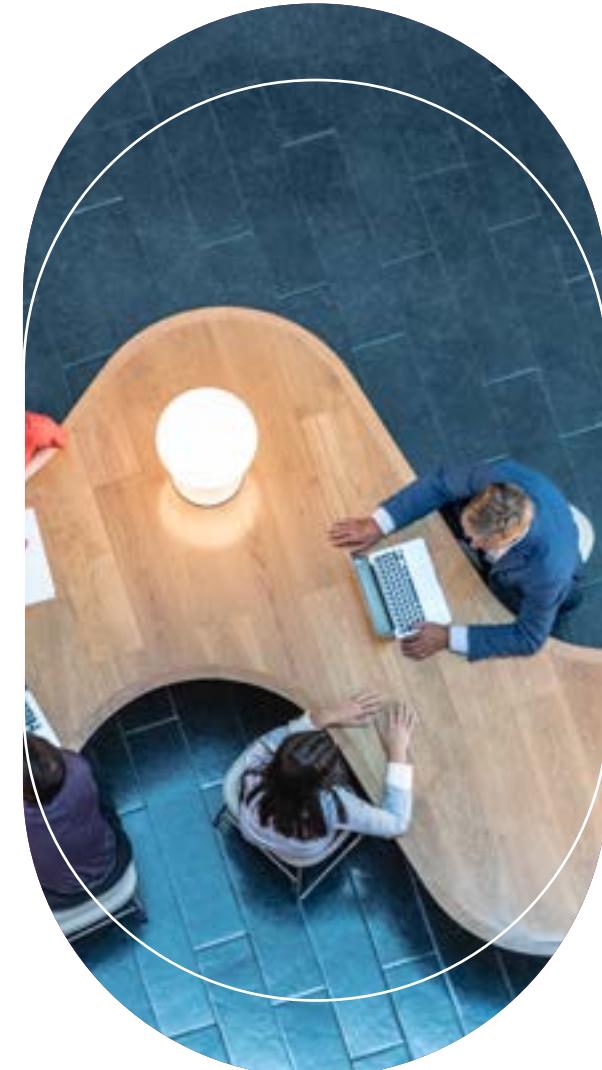
Having the necessary expertise is not enough. The registered auditor is also subject to **strict ethical rules** requiring their independence and to an **external quality control of the profession** (public oversight). The registered auditor's report can therefore effectively contribute to increasing the value of the undertaking. It also allows organisations to excel in their **ESG positioning** and in communicating on this topic to stakeholders and investors.



## Limited assurance: what is the scope? Based on which standard?

The CSRD law aims to boost **user confidence** by creating a harmonised framework for **sustainability reporting**, which will **put undertakings** on a level playing field and improve the comparability of **sustainability information**. When performing a limited assurance engagement on sustainability information, the statutory auditor or the registered auditor will draw a conclusion on:

- (1) the compliance of the **(consolidated) sustainability information** included in the company's management report with the CCA (including the ESRS mentioned above);
- (2) the compliance with the process carried out by the company to identify the sustainability information reported pursuant to the ESRS (material topics based on the assessment according to the double materiality principles);
- (3) the preparation of the sustainability report in compliance with the requirement imposed by the CCA to tag sustainability reporting in accordance with the **electronic reporting format (ESEF)** (tagging sustainability information) – as soon as it comes into force in Belgium; and
- (4) the compliance with the requirements regarding the **European Taxonomy Regulation**.





## Standards



As part of the Omnibus regulation proposal, the deadline initially set by the CSRD for the European Commission – namely the publication, by means of delegated acts, of detailed standards on the content of the limited assurance engagement before 1 October 2026 (limited assurance standards) – has been **postponed**.

In the meantime, the Commission will instead provide **guidance** to frame the implementation of this assurance engagement.



For the moment, those responsible for the assurance engagement may apply **national assurance standards, procedures or requirements**.



In Belgium, there is no specific national standard on the assurance of sustainability information.



Registered auditors therefore apply the International Standard on Assurance Engagements, namely **ISAE 3000 (Revised)** on «assurance engagements other than audits or reviews of historical financial information. This international standard has been approved in Belgium, see [Belgian standard on assurance engagement on sustainability information](#)



### Towards a new international standard

In November 2024, the *International Auditing and Assurance Standards Board* (IAASB) adopted an overarching standard for assurance engagements on sustainability reporting, building upon existing IAASB standards and guidelines (the International Standard on Sustainability Assurance **ISSA 5000, General Requirements for Sustainability Assurance Engagements**).

Eventually, this standard may replace ISAE 3000 (Revised) as the international standard for the assurance of sustainability information.



## 3

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## Voluntary sustainability reporting: what, how and why?

### Voluntary sustainability reporting: is your entity in scope?

Outside the legislative framework, any organisation – whether a company, association, or any other private or public sector entity – may choose to **voluntarily** disclose sustainability information. Indeed, as we have already indicated, doing so offers many advantages.

How should you proceed? There are various reporting frameworks at European and international level. This section covers those frameworks and highlights the key role that registered auditors can play in enhancing the transparency and credibility of your reports

### How to report consistently on simplified ESRS?

Under the CSRD, the **ESRS** provide a common framework to ensure the quality, comparability, and transparency of sustainability information disclosed by undertakings. They may also be used on a voluntary basis by entities wishing to disclose sustainability information.

As outlined above the ESRS cover cross-cutting requirements, as well as environmental, social, and governance issues. EFRAG (European Financial Reporting Advisory Group) has been tasked by the European Commission with preparing **simplified ESRS**<sup>11</sup>. These draft simplified standards, published by EFRAG as final on 3 December 2025, introduce significant simplifications.

Thanks to the activation of simplification levers and the systematic review conducted by EFRAG, there has been a substantial reduction in the number of mandatory datapoints in reports – a more than **60%** decrease. Voluntary datapoints have either been removed or transferred to a separate document entitled Non-Mandatory Illustrative Guidance, while preserving the integrity of the CSRD's core objectives.

<sup>11</sup>[EFRAG Releases Progress Report on ESRS Simplification | EFRAG and Home | EFRAG Knowledge Hub.](#)



### Key changes introduced by the simplification include:

- a **significant reduction** in disclosure requirements and the length of the standards, while maintaining the same reporting areas and topics as in the current ESRS set;
- a **restructuring of standards** to improve their readability and clarity;
- **less rules-based standards enhancing flexibility**;
- the **introduction of the fair presentation** concept;
- a clarification reinforcing the **role of materiality** as a general filter for reporting requirements;
- a **simplified double materiality assessment process**, with a more targeted approach and the possibility of applying a top-down approach (starting from the topics).

If your undertaking does not fall within the scope of the CSRD, i.e. fewer than 1,000 employees, then this significant reduction in reporting requirements could encourage you to consider voluntary reporting based on the simplified ESRS standards.

### Why should you make this decision? The main reason for doing so may be:

- competitive grounds (as peers may be subject to the CSRD);
- stakeholder expectations; or
- the desire to promote the benefits of high-quality, transparent and consistent reporting!

## What is VSME, the standard tailored to SMEs?

The **VSME** (Voluntary Sustainability Reporting Standard for non-listed SMEs), developed by EFRAG and recommended by the European Commission<sup>11</sup>, is intended specifically for non-listed micro, small, and medium-sized undertakings (as defined by the EU, i.e. entities with fewer than 250 employees).

This allows smaller entities to communicate their sustainability efforts in a 'customised' way. With the VSME, you can provide useful information on

- The impact of your undertaking on people and the environment;
- The current or potential effects of environmental and social issues on your financial position, performance, and cash flows.

### A tool to support SMEs and their development

VSME reporting serves three specific purposes:

- Provide information that meets the expectations of banks and investors, to facilitate access to financing;

### A tool to support SMEs and their development

VSME reporting serves three specific purposes:

- Provide information that meets the expectations of banks and investors, to facilitate access to financing;
- Make useful data available to large undertakings that request sustainability information from their suppliers;
- Strengthen the management of sustainability issues and support competitive growth.

As stated in the introduction to this information guide, this standard is actively supported by the European Commission for entities with up to 250 employees.

**Note:** The VSME may also be used, on a voluntary basis, by larger undertakings and associations that are not subject to the future thresholds of the revised CSRD, pending the adoption of one or more specific standards tailored to them.

This standard follows the same reporting structure as the ESRS, but with simplified requirements that are more proportionate to the undertakings' size. The standard is 48 pages long, excluding the annexes (which comprise 11 pages).

### A two-tier modular structure

**The VSME is based on a progressive approach comprising two modules:**

#### Option A: The Basic Module

Includes Disclosures B1 (general information) and B2 (practices, policies and future initiatives for transitioning towards a more sustainable economy), as well as Basic ESG Metrics (B3 to B11).

- This is the recommended path for micro-undertakings (undertakings that do not exceed two of the following thresholds: €450,000 in balance sheet total, €900,000 in net turnover, and an average of 10 employees), and constitutes the minimum requirement for all other undertakings, namely 'small' (undertakings that do not exceed two of the following thresholds: € 5 million in balance sheet total, € 10 million in net turnover, and an average of 50 employees), and 'medium-sized' (undertakings that do not exceed two of the following thresholds: € 25 million in balance sheet total, € 50 million in net turnover, and an average of 250 employees).
- This module is a mandatory prerequisite for applying the comprehensive module.
- It is possible to add certain disclosures from the comprehensive module, depending on specific needs.

<sup>12</sup>Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a sustainability reporting standard for small and medium-sized undertakings.



### Option B: The Comprehensive Module

Combines the basic module (Disclosures from B1 to B11) with the general disclosures C1 (Strategy: Business Model and Sustainability – Related Initiatives) and C2 (Description of practices, policies, and future initiatives for transitioning towards a more sustainable economy), as well as the Additional ESG Metrics (C3 to C9).

- This module includes additional data often requested by banks, investors, or large corporate clients.
- It enables undertakings to go further in their sustainability reporting if they wish to do so.

### A simplified and accessible format

The VSME adopts a deliberately streamlined approach to facilitate sustainability reporting by small and medium-sized undertakings.

Entities need only provide a limited amount of data for this standard, with only **20 disclosures in total**, divided between the basic and comprehensive modules.

The language used has been deliberately kept simple, accompanied by practical recommendations for the presentation of information and the methodologies to be followed.

A materiality assessment is not required. It is replaced by a **conditional application** principle, allowing the undertaking to assess whether a disclosure is relevant in its own context ("if applicable").

### Three types of data to be provided

De VSME voorziet in drie niveaus van rapportering, afhankelijk van het type informatie:

- **Mandatory:** to be reported in all cases;
- **Conditional (if applicable):** to be reported only if relevant to the undertaking;
- **Optional:** to be included on a voluntary basis.

The VSME thus offers a **structured, simple, and scalable gateway to sustainability reporting**, tailored to the actual capacities of your undertaking. At the same time, the standard addresses in a harmonised way the growing expectations of financial partners, customers, suppliers, and authorities.

### New! A voluntary standard for large undertakings not subject to the CSRD

A new voluntary reporting standard is expected as part of the "Omnibus" simplification package<sup>13</sup>. It will be adopted by the European Commission through a delegated act and is intended for undertakings which will no longer be subject to the CSRD.

This future standard will also determine how much information large undertakings within scope of the CSRD may request from their partners in the value chain (the so-called '*value chain cap*' as stated in the simplified ESRS, [\(see above in this information guide\)](#)).

This new standard is based on the VSME as presented in the European Commission's recommendation but may differ in some aspects. Getting familiar with the VSME now is an asset and could facilitate the subsequent implementation of this new standard. This will also enable undertakings in scope to be better prepared and save time when the new standard is actually adopted at European level. However, the timeline and final adoption will depend on the ongoing negotiations between the European co-legislators on the Omnibus proposal.

<sup>13</sup>[Omnibus I - European Commission](#).



## IFRS S1 and S2 in a nutshell

In June 2023, the International Sustainability Standards Board (ISSB) published two new standards for sustainability-related disclosures:

- [IFRS S1 \(General Requirements\)](#)
- [IFRS S2 \(Climate-related Disclosures\)](#)

These standards have been in force since 1 January 2024 but remain **applicable on a voluntary basis in Europe** until they are officially adopted by the European Union.

### IFRS S1: Four areas of core content

IFRS S1 requires undertakings to disclose information on four core content areas:

1. **Governance**
2. **Strategy**
3. **Risk management**
4. **Metrics and targets relating to sustainability-related risks and opportunities.**

These four areas constitute what the ISSB refers to as '**core content**', meaning the essential information that enables users to understand how an entity identifies, assesses, prioritises, monitors, and manages sustainability-related risks and opportunities.

### IFRS S2: Climate-related disclosures

IFRS S2 is the first topical standard published by the ISSB. It **always needs to be applied in conjunction with IFRS S1** and focuses specifically on climate. It clarifies how climate-related information should be integrated within the overall framework of IFRS S1. In other words, IFRS S1 sets out the overall reporting framework, while IFRS S2 further develops this framework for the climate topic.

Under a transitional regime known as the 'climate first' approach, undertakings may choose to report only on climate-related information in the first year of application, provided they apply **both standards (IFRS S1 and S2)**. However, they will subsequently be required to expand their reporting to all sustainability topics addressed by IFRS S1.

IFRS S2 is supported by **sector-specific guidance** for its implementation, which does not create new obligations but specifies that the entity should take into account the sector-specific disclosure topics defined therein (including those from the *Global Reporting Initiative (GRI)* and the *Sustainability Accounting Standards Board (SASB)*) when identifying its climate-related risks and opportunities.

### Materiality approach

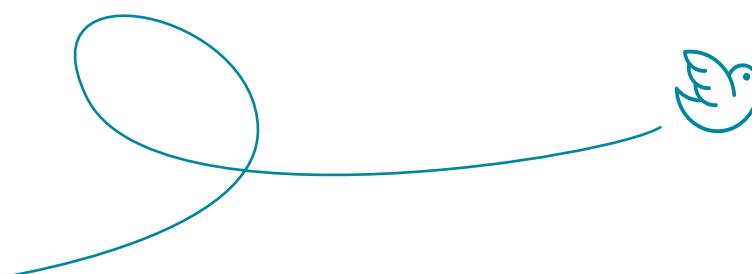
Unlike the **ESRS**, which are based on the **double materiality principle** (financial impact and impact on the environment and society), the IFRS S1 and S2 adopt **only a financial materiality approach** (financial impact of sustainability issues).

These standards are designed to be compatible with regional regulatory frameworks such as the **ESRS**. Undertakings that choose to apply both the **IFRS-S** and **ESRS** will need to organise their reporting content slightly differently than those applying only one framework and will sometimes need to provide more detailed information. Nevertheless, the convergence between these standards aims to **avoid any double work**.

Joint efforts between the ISSB, the European Commission and EFRAG should ensure this *interoperability* between standards and avoid double reporting. Accordingly, on 2 May 2024, the IFRS Foundation and EFRAG published joint guidance on the alignment achieved between the ISSB standards and the ESRS<sup>14</sup>.

In June 2025, the IFRS Foundation announced that **36 jurisdictions** had adopted, used or planned to incorporate the IFRS Sustainability Reporting Standards (IFRS S1 and S2) into their national regulatory framework – with **17 countries** having already finalised their approach.

<sup>14</sup>[Interoperability guidance on the alignment between ISSB standards and the ESRS, May 2024.](#)





## Are there other recognised normative frameworks?

As already mentioned, there are other recognised frameworks or standards that any organisation can use to prepare a sustainability report.

At the international level, these include, among others, those developed by:

- the *Global Reporting Initiative (GRI)*;
- the *Sustainability Accounting Standards Board (SASB)*;
- the *UN Global compact (Sustainable Development Goals, or « SDGs »)*; and
- the recommendations of the *Task Force on Climate-related Financial Disclosures (TCFD)*.

These frameworks can be applied on a voluntary basis by undertakings wishing to communicate their sustainability strategy, even if they are not subject to the CSRD.

They are often used in addition to or in combination with the ESRS and IFRS (S1 and S2), depending on stakeholder expectations, sector-specific requirements, or the undertaking's international positioning.

## Why the increasing demand for key performance indicators (KPIs)?

In recent years, the number of requests from financial institutions and investors for specific information on certain Key Performance Indicators (KPIs) has increased significantly. These metrics are used, among other things, to determine financing conditions (e.g. interest rates) or to assess an undertaking's capacity to invest in, or to commit resources to green and/or social projects.

The **most frequently requested KPIs** include:

- CO<sub>2</sub> emissions data (Scope 1, 2 and/or 3);
- intensity ratios (e.g. emissions related to turnover);
- compliance with the code of conduct, both by the undertaking itself ('own activities') and by its suppliers (tier 1 and beyond in the value chain);
- health and safety statistics;
- waste management and recycling performance;
- and highly specific indicators related to the characteristics of the entity, or its sector.

Even though a voluntary reporting standard such as the **VSME** can provide real added value by providing a structured framework that meets the expectations of many investors, creditors, and financial institutions regarding SMEs, in practice, the information requested may be limited to a **selection of indicators**. In that case, depending on the needs and circumstances, reporting may focus solely on a **limited number of specific metrics**.



## Voluntary assurance or other procedures relating to sustainability reporting

### A lever to enhance the transparency and credibility of your reports

Any undertaking or organisation may, on a voluntary basis, engage an independent expert – such as a registered auditor – to obtain assurance or other form of certainty on the reported sustainability information, even outside the statutory framework or the statutory auditor's mandate.

#### This contractual engagement may relate to:

- data published on a voluntarily basis according to the ESRS (or their simplified version);
- other voluntary reporting frameworks (e.g. IFRS S1 and S2, the GRI or SASB standards, etc.); or
- specific key performance indicators (e.g. CO<sub>2</sub> emissions, employee turnover rate, etc.). Often, the purpose and scope of such engagements are based on specific requests from certain stakeholders (such as banks or investors).

#### What is the scope? Which standard is the assurance based on?

As with financial data, the **level of assurance** regarding sustainability information can be tailored to the needs of the undertaking, with different levels of certainty

- **Reasonable assurance:** thorough audit of all data or specific indicators/information;
- **Limited assurance:** a more limited review of the sustainability report prepared according to a recognised reporting framework, or of certain key indicators or information;
- **Agreed-Upon Procedures (AUPs):** factual findings (without assurance), based on a set of procedures defined in agreement with the undertaking and/or stakeholders interested in their results.

This **flexibility** makes it possible to offer a tailor-made solution, depending on the company or organisation, the sector, and the expectations of the stakeholders.

Depending on the complexity of the topics, the independent expert may be assisted by technical specialists, such as environmental engineers or experts in social or governance issues.



## Which standard for assurance engagements?

For both legally required assurance engagements and voluntary assurance engagements, the registered auditor primarily uses the **ISAE 3000 (Revised)** standard on assurance engagements other than audits or reviews of historical financial information.

This standard outlines the procedures to be performed for both **reasonable assurance** and **limited assurance engagements**.

The standards that apply within the statutory framework therefore apply in the same way to voluntary assurance engagements.

## Executive Summary

### Why engage a registered auditor to obtain assurance on your sustainability data?

We would like to emphasise this once again: having your sustainability information verified by an independent expert – such as a registered auditor – enhances the confidence of the public and your stakeholders (investors, customers, suppliers, financial partners, employees) in your undertaking. This expert leverages their expertise in auditing to guarantee the reliability and quality of the reported data.

As mentioned above, the registered auditor is recognised as a trusted advisor for financial markets, which also applies to users of sustainability information, whether prepared for general or specific use.

With many years of experience in risk assessment, internal control system analysis (including IT systems), and governance assessment, the registered auditor has the ideal profile to carry out voluntary assurance engagements.

The international standard **ISAE 3000 (Revised)** for assurance engagements related to non-financial information offers great **flexibility**: it allows both the scope (comprehensive sustainability report or specific KPIs) and the assessment procedures to be adapted.

#### Assurance: a strategic lever for your organisation

Assurance goes far beyond mere validation. It can become a strategic lever for your organisation. What does this entail exactly?

##### 1. Better internal processes

The intervention of a registered auditor encourages the entity to better structure and strengthen its processes for collecting and processing information. This contributes to better governance in relation to sustainability reporting and to better decision-making. Any weaknesses identified during the assurance procedures can be communicated to management or the board of directors, thereby creating real opportunities for improvement, naturally while respecting the independence rules.





## 2. Better information flows

The registered auditor's assessment facilitates the flow of sustainability information to management bodies. It also supports clearer and more transparent communication with stakeholders by confirming the reliability of the reported sustainability information.

## 3. A neutral and objective perspective

The independent expert acts as a person of trust for third parties. Approaching the content of the sustainability report from an external viewpoint helps ensure it is assessed objectively.

## 4. Enhanced reporting credibility

The intervention of a registered auditor provides independent assurance, which strengthens stakeholder confidence in the quality of the reporting. By certifying that the reported information complies with the relevant standards and reflects the entity's reality, the registered auditor increases the credibility of sustainability disclosures. This external validation reduces the risk of greenwashing, reassures investors, customers, and regulators, and gives the organisation more legitimacy in its sustainability disclosures.

## In summary: voluntary assurance is a real asset for your organisation

Demand for sustainability information is high, and certainly looks like it will continue to increase. Rather than seeing this as a constraint, consider it a **strategic opportunity**.

Ensuring transparency in your efforts to manage your emissions, invest in green infrastructure, or report your social and governance data can facilitate access to capital, attract talent, and strengthen your competitiveness.

Active engagement in these processes is already a major step forward. But having these efforts certified by an independent expert can significantly enhance their impact.

Who takes care of this certification? Although other practitioners can provide contractual assurance, only the registered auditor possesses such a versatile set of knowledge and skills.

These include

- technical ESG expertise (knowledge of reporting standards and technical aspects such as CO<sub>2</sub> emissions, pollution, hazardous substances, biodiversity, circular economy, or due diligence in the value chain),
- risk assessment skills, and
- decades of experience in auditing, assessment of reporting processes, governance, and internal control.

All these elements are essential in the context of a voluntary assurance engagement, regardless of whether it relates to a comprehensive sustainability report prepared according to voluntary standards, or to specific key performance indicators (KPIs).

**Voluntary assurance on sustainability information** therefore goes far beyond mere technical validation: It is a fully-fledged and surprisingly effective element in a process of **continuous improvement**, as it enhances your organisation's credibility, and supports better governance. Reasons enough to make that choice!

## AUPs: targeted and flexible verifications

The **AUP engagement** (Agreed-Upon Procedure) is not an assurance engagement, but a factual verification on specific points, tailored to the needs of the undertaking or its stakeholders. Under this approach it is possible, for example, to confirm the mathematical correctness of calculated ratios, verify emissions data, or reconcile certain information with accounting or operational systems.

The applicable reference standard for these engagements is the **International Standard on Related Services (ISRS) 4400**, as revised<sup>15</sup> by the IAASB in April 2020.

What are the benefits of an AUP engagement?

- **Flexibility** to meet specific needs;
- **Cost control** by performing a targeted verification task;
- **Support for compliance and risk management**, covering both financial and non-financial aspects (including those related to sustainability);
- **Response to the requirements of financial institutions, investors or partners** (such as suppliers, etc.).

The AUP engagement may also be a **first step** before switching to an assurance engagement. When the AUP is performed by a **registered auditor**, you benefit from their audit experience and ESG expertise, which in turn can deliver **unique added value**.

<sup>15</sup>ISRS 4400 (Revised), Agreed-Upon Procedures Engagements.

## 4

# Your partner for a sustainability strategy and reporting

The registered auditor

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Expertise based on a wide range of engagements

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## Your partner for a sustainability strategy and reporting:

### The registered auditor

What is the role of the registered auditor? Acting as an advisor, the registered auditor puts his expertise at the service of your undertaking, taking into account the unique characteristics of your organisation on the one hand, and the specific expectations of stakeholders on the other. This contributes to a balanced strategy, a thoughtful approach to material issues, and pragmatic, relevant, and high-quality reporting.

Depending on your needs and/or preferences, the registered auditor may **choose one of two approaches**:

- **Guide your organisation throughout its mandatory sustainability reporting process**, with the aim of making this reporting audit-proof and ready for the mandatory attestation by (another) registered auditor or by the statutory auditor (the roadmap to audit readiness);
- **Guide your undertaking in preparing voluntary sustainability reporting**, whether or not in accordance with:
  - the ESRS (simplified version);
  - the VSME;
  - the future reporting standard that the European Commission still needs to develop for large companies not subject to mandatory CSRD reporting (and which may form the basis of the value chain cap concept for companies under the scope of the CSRD);
  - other generally accepted sustainability reporting standards or frameworks (such as IFRS S1 and S2, the standards of the Global Reporting Initiative (GRI), the standards of the Sustainability Accounting Standards Board (SASB), the Sustainable Development Goals (SDGs), the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), etc.);
  - or through the disclosure of key performance indicators (KPIs).



## Expertise based on a wide range of engagements

The registered auditor will work with your organisation to develop sustainability reporting (within a mandatory or voluntary framework) that provides real added value to your undertaking on several levels:

- **Competitive advantages:** demonstrating your commitment to sustainability through this reporting can attract customers and funding;
- **Future-proofing:** the registered auditor also takes into account the evolution of regulations and stakeholder expectations regarding your undertaking;
- **Operational advantages:** ESG initiatives and transactions often lead to cost savings and risk reduction, but they also offer new opportunities and then serve as an asset in the 'war for talent' and employee retention.

The registered auditor can leverage their experience to deliver this added value. Their expertise stems from the diversity of engagements that have historically characterised the profession. The foundations of sustainability reporting are very similar to those of financial reporting: familiar territory for the registered auditor

For example:

- **Selecting the suitable reporting framework** based on an analysis of the needs of internal and external stakeholders. In financial reporting, the framework (e.g. BE GAAP or IFRS) is determined by regulatory requirements (e.g. Code of Companies and Associations (CCA), regulations for listed companies) and stakeholder needs. The same applies to sustainability reporting (e.g. GRI, VSME, CSRD), where the choice depends on regulatory requirements (CSRD, European taxonomy) and stakeholder expectations.
- **Establishing and managing reporting processes** (definition of KPIs, data collection and consolidation, etc.).
- **Implementing and managing internal controls**, including IT general controls and IT application controls (increasingly integrated financial and sustainability reporting).
- **Determining the reporting scope** (e.g. individual or consolidated reporting, defining the consolidation perimeter, determining the value chain).
- **Setting up a governance structure and reporting processes** (e.g. dashboard reporting towards board of directors, audit committee, executive committee, etc.).

Due to their position, experience, and technical expertise, the registered auditor is the ideal advisor to assist your organisation (management, governing bodies, etc.) in the selection, implementation, and development of:

- the ESG strategy;
- an appropriate governance and internal control system (including management dashboards);
- the resulting communication and reporting.



## Principle of independence

When determining the nature and scope of the registered auditor's advisory role, the **independence requirements** must always be taken into account.

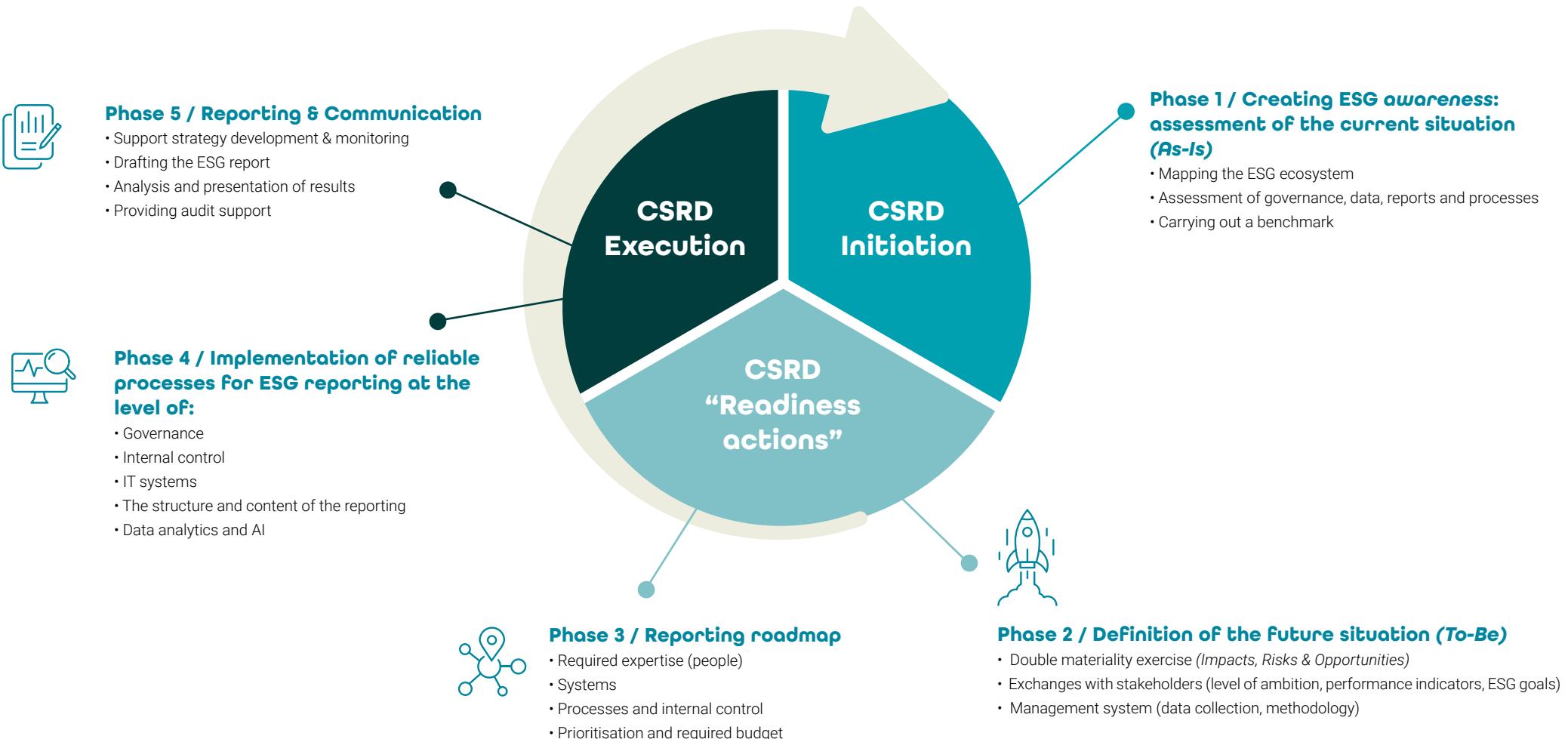
The scope of their intervention will therefore depend on whether or not they are the statutory auditor of your organisation.

- If they are **not the statutory auditor**, their role may range from general advice (comparison between the "as-is" situation and normative requirements, presentation of alternatives, sharing of best practices based on benchmarks) to the development of the "to-be" situation, including the implementation of governance and internal control.
- If they **are the statutory auditor**, their assistance must remain compatible with their independence, and there must be no risk of self-review.

# Esg transformation roadmap: What the registered auditor could do for you

The registered auditor has in-depth knowledge of the components of sustainability reporting, acquired through their advisory and assurance engagements at numerous companies and organisations. The different stages in a standard reporting process can be represented as follows:

## Role of the registered auditor...





## Stage 1: Assessment of the current situation (“As-Is”)

Based on their knowledge of your undertaking and its sector, the registered auditor can assist your organisation in:

- mapping the **ESG ecosystem** (value chain and position of undertaking, group structure, conditions of application, relevant reporting);
- **assessing** the **existing governance** structure, available data, reports, and processes;
- carrying out a **benchmark** with other companies in the sector or value chain, or with undertakings that already have mature reporting systems.

They also contribute to developing **ESG awareness** within the organisation (e.g. training sessions, workshops, brainstorming, etc.).

## Stage 2: Definition of the future situation (“To-Be”)

The reporting strategy is based, among other things, on

- **the results** of the current situation analysis (As-Is);
- the undertaking's **ESG strategy** and business model;
- the applicable **regulatory framework** for sustainability reporting;
- the needs of **internal** and **external** stakeholders.

When developing the corporate strategy and, more specifically, the embedded ESG strategy, the registered auditor can assist in identifying and assessing various ESG risks, impacts and opportunities (the double materiality assessment exercise).

Due to their position, they can also facilitate dialogue with internal and external stakeholders through various communication channels (e.g. surveys, workshops, interviews). Having built their experience in many undertakings, the registered auditor is ideally placed to help determine the level of ambition, select performance indicators and set suitable ESG goals and targets.

They can also assist your organisation in implementing a management system or simple tools (for SMEs, still feasible in Excel) to collect and document data, define the scoring methodology and, finally, translate the results of the materiality assessment into key sustainability topics for your undertaking, which will determine the content of sustainability information, dashboard and/or sustainability reports.



## Stage 3: Reporting roadmap

Based on the definition of the future situation compared to the current situation (stages 1 and 2), the registered auditor can assist your organisation in developing a detailed reporting roadmap.

Depending on the needs, this roadmap can cover various dimensions, such as:

- **human resources:** existing vs. required people capacities and expertise;
- **systems:** need for new data collection tools and appropriate reporting systems;
- **processes and internal control:** comparison between existing data collection and reporting processes and those required for sustainability reporting, remedial measures to improve processes, definition of KPIs, etc.;
- **prioritisation and required budget:** timeline, impact analysis, budget.

## Stage 4: Implementation

In this fourth stage, the registered auditor can play a key role in implementing reliable processes for sustainability reporting, whether for internal needs (e.g. feedback to the governing bodies on the corporate strategy and its implementation, the business model, and performance) or for external needs (such as financial institutions, staff, audit, etc.).

The implementation of sustainability reporting covers various areas, including:

- design and **implementation of sustainability governance structures and processes**;
- design and **implementation of reporting processes** and associated internal control/quality control principles for sustainability reporting (such as relevance, completeness, reliability, neutrality and clarity);
- assessment of the **reliability of IT systems and software**, both in terms of general system controls and application controls;
- definition of the structure and content of internal and external **sustainability reporting** (down to the datapoint level);
- implementation of **data analytics** and **artificial intelligence** (AI) solutions.

## Stage 5: Reporting and communication

The final step in the reporting process is internal and external communication. Ultimately, the registered auditor also plays a crucial role in effectively drafting the structure and content of the sustainability report.

**The registered auditor can assist with:**

- supporting **strategy development** and **monitoring**;
- **drafting the ESG report** (in the form of a sustainability report or a list of performance indicators) for internal and external purposes;
- **analysing and presenting** the results to staff, management, the board of directors, or external parties (banks, investors, customers);
- providing **support** in preparing for and **conducting the audit**.





**Remember to contact a registered auditor to guide you throughout your sustainability journey.**

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