

XX Plc
Chair of the Board of Directors / Chair of the Audit Committee / Chair of the XX Committee

Audit Committee survey of the implementation of sustainability reporting

The Corporate Sustainability Reporting Directive (CSRD)¹ brings about standardised information requirements covering an extensive range of sustainability aspects. New data quality requirements raise sustainability information on a par with accounting information in terms of significance. This entails obligations on the preparers of the data and the responsible parties to also establish processes and controls to support the reliability of sustainability data, ensure adequate resourcing and enhance expertise in the content of the new requirements. The audit committee plays a key role in the success of the implementation of sustainability reporting.

National implementation of the CSRD is currently in process.² A monitoring and assessment task is being proposed for the board of directors of public-interest entities³ with regard to sustainability reporting and assurance thereof.

To promote the high-quality implementation of the EU's sustainability reporting standards (ESRS)⁴, the FIN-FSA is conducting this survey by mapping the capacities of audit committees and the preparations by entities for the upcoming sustainability reporting. Most of the listed companies and the entities supervised by the FIN-FSA, which are preparing a sustainability report under the CSRD as part of their annual report 2024, were selected to the survey.

¹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

² For further information, see the project-specific website of the Ministry of the Employment and the Economy: <https://tem.fi/hanke?tunnus=TEM082:00/2022> (in Finnish) and the FIN-FSA's opinion on 11 May 2023:

www.finanssivalvonta.fi/globalassets/fi/saantely/lausunnot/2023/finanssivalvonnan_lausunto_he_luonnokse_en.pdf (in Finnish).

³ Listed company, credit institution and insurance company referred to in chapter 1, section 9, of the Accounting Act (1336/1997).

⁴ The ESRS standards are set to be implemented in summer 2023 by a Commission Delegated Regulation (https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13765-European-sustainability-reporting-standards-first-set_en).

According to section 50 i of the Act on the Financial Supervisory Authority (878/2008), the FIN-FSA is the competent authority in monitoring and assessing the performance of audit committees. According to the Securities Market Act (746/2012), the FIN-FSA has general authority to supervise that issuers of publicly traded securities comply with the Securities Market Act. In addition, according to chapter 8, section 1, subsection 3 of the Accounting Act, the FIN-FSA supervises compliance with the Accounting Act in entities under its supervision and entities reporting under the international financial reporting standards, to the extent stipulated in section 37 of the Act on the Financial Supervisory Authority. The supervisory powers of the FIN-FSA are being specified in connection with the national implementation of the CSRD.

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By virtue of section 18(1) of the Act on the Financial Supervisory Authority, the FIN-FSA requests the entity to respond to the following questions posed by the FIN-FSA.

*In this survey, **audit committee** refers to the audit committee or another committee carrying out the tasks of the audit committee, or the board of directors as a whole carrying out the tasks of the audit committee. **Sustainability reporting** refers to the reporting prepared in compliance with the ESRS standards. This survey is not concerned with the requirements of Article 8 of the Taxonomy Regulation⁵, because the taxonomy regulation is already in force.*

1. We request you to describe how the audit committee has familiarised itself with upcoming regulation on sustainability reporting (e.g. CSRD, ESRS).
2. As a rough approximation, how much of the audit committee's time in the past year was spent on sustainability aspects relative to other audit committee matters (e.g. 20%), and which topics required the most attention?
3. Please list the topics pertaining to sustainability aspects the audit committee has submitted to a board of directors' meeting for discussion and/or decision.
4. Please describe the entity's process or plans to implement sustainability reporting, and the role of the board of directors, the audit committee and the chief executive officer therein.
5. Has the entity identified and/or reviewed the impacts necessitated by the implementation of sustainability reporting on its processes, controls and systems? Please also describe these impacts on reporting, if any.
6. How does the audit committee ensure that the entity has adequate resources and expertise at its disposal for the implementation of sustainability reporting?

⁵ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

7. How is the audit committee going to ensure its independence of the executive management of the entity in assessing sustainability reporting? For example, is it anticipated that external experts will be used?
8. What plans does the audit committee have regarding the assurance of sustainability reporting? For example, how will the audit committee assess the assurance provider's substance and assurance expertise?
9. Please report whether the audit committee has paid attention to the greenwashing risk⁶ and possibly planned, reviewed or taken measures to mitigate the risk.
10. Are there any other matters with relevance to the implementation of sustainability reporting that you wish to communicate to the FIN-FSA? For example, what challenges have been identified by the audit committee in preparation for sustainability reporting.

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This letter is sent in writing to the chair of the board of directors, audit committee or other committee. The letter and the response form (Excel) are also sent by e-mail to the CEO, the CFO and the key audit partner. Please respond electronically in the response form. You may also attach supporting documentation to your response.

Please respond by 15 September 2023 by email at kirjaamo@finanssivalvonta.fi, including reference to the case identifier FIVA/2023/1095. If you wish, you may use encrypted email for the submission of the response: <https://securemail.bof.fi>.

The results of the survey will be published in the FIN-FSA's Market newsletter at the end of 2023.

Further information is provided by Laura Heinola,
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FINANCIAL SUPERVISORY AUTHORITY

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⁶ In this survey, *greenwashing* refers to the definition of greenwashing applied by the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). Greenwashing occurs for example when an entity's reporting or other communication includes unrealistic or misleading information on the entity's objectives or achievements regarding sustainable development. Greenwashing may be unintentional or intentional. (www.esma.europa.eu/press-news/esma-news/esas-put-forward-common-understanding-greenwashing-and-warn-risks)

Capital Markets Supervision

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For the information of
by e-mail:

Chief Executive Director
Chief Financial Officer
Key Audit Partner