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The Role of Professional Service Networks in Ensuring Compliance with the CSRD in the Netherlands

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Abstract

The purpose of this thesis is to investigate to what extent professional service networks could help Dutch companies comply with the Corporate Sustainability Reporting Directive (CSRD). Due to the shift from voluntary to mandatory sustainability reporting, companies are required to disclose environmental, social, and governance impacts.

This study employs a mixed-methods approach, incorporating document analysis and semi-structured interviews with sustainability reporting professionals from both a specific advisory firm and five companies impacted by the CSRD, to explore current reporting practices, identify perceived challenges, and assess the advisory role in facilitating compliance.

The key findings show the various challenges which companies face due to the European Sustainability Reporting Standards (ESRS), also indicating which standards are thought to be the most difficult and tracking their progress toward compliance per ESRS standard. It is interesting to note that the study shows no connection between a company's perceived need for CSRD-specific advice services and how well it performs on these standards. Furthermore, the research distinguishes at least two different categories of companies based on their perspectives towards CSRD compliance; with each category prioritizing different criteria for selecting consulting services. Due to the small and diverse sample size, this study is primarily foundational and suggestive in nature. Further research is needed to justify, expand upon, or refute the indications of this study.

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1.0 Introduction

Companies are swiftly recognizing the significance of climate change as a strategic priority due to the perceived risks posed by environmental issues to their current business methods. These concerns are being closely examined by different stakeholders interested in the company's actions (Kolk, Levy & Pinkse, 2008). In reaction to these pressures from stakeholders, there has been a growing trend in recent years towards companies sharing information about their sustainable practices through sustainability reports (Hahn et al., 2015).

In the past, companies voluntarily shared information about their sustainable practices through sustainability reports. This can be traced back to the legitimacy theory. The legitimacy theory posits that a company arranges its everyday operational activities and behaviour based on the norms, values, expectations and demands of the society. To continue to exist, a company must act in congruence with these norms and values of society (Dowling & Pfeffer, 1975). Research has shown that companies respond to external stakeholder pressure to report on sustainability aspects and that companies can use (incomplete) sustainability reporting as a symbolic act to address legitimacy exposures (Liesen et al., 2015).

According to some, companies regularly reporting and measuring their environmental, social, and governance (ESG) performance leads to a more sustainable form of capitalism. Pucker (2021) argues that there are still problems with sustainability reporting such as nonstandard metrics, unreliable ESG ratings, and insufficient auditing. According to Pucker (2021), real progress is not just better measurement and reporting practices but also requires changes in mindsets, investment incentives and regulations.

A regulation trying to achieve this is the Corporate Sustainability Reporting Directive (CSRD). This changes sustainability reporting from a voluntary practice to a mandatory practice. On the 5th of January 2023, the CSRD entered into force, modernising and strengthening the rules concerning the social and environmental information that companies have to report. An increasing number of companies will be required to report on their impact on people and the climate starting in 2024 (European Commission, 2022).

The EU directive requires companies to collect, process, and publish vast amounts of data and information. To do so, new systems, processes and governance structures have to be established. The CSRD specifies that an external auditor must assure the sustainability reporting, initially with limited and later with a reasonable level of certainty.

The newly suggested requirements appear to be overly demanding for companies subject to the CSRD, increasing the administrative burden as well as raising questions on the essential conceptual fundamentals for a reporting framework (Baumüller & Grbenic, 2021). Consequently, (multinational) professional service networks have responded to this demand. For instance, KPMG (Klynveld Peat Marwick Goerdeler), providing CSRD services, states on their website, ‘‘With our tailored, modular project approach, and KPMG professionals extensive experience in providing advisory and assurance we can help you address the CSRD challenges and get ready for a new level of sustainability reporting (KPMG, 2023)’’. This underscores a notable gap, indicating the lack of capabilities among reporting companies. Professional service networks, such as KPMG, solve this gap by offering solutions through a systematic, step-by-step approach. However, given that the CSRD is a new development, the role of professional service networks in facilitating this transition remains relatively unknown. More specifically, since CSRD is a relatively low-researched topic, there is a lack of research on the specific challenges and demands faced by reporting companies within the context of CSRD. Investigating these challenges could enable professional service networks to tailor their services more effectively to meet the unique needs of their clients.

1.1 Theoretical contribution and research questions

In recent years, there has been an increasing amount of academic literature on sustainability reporting including research on drivers and barriers to sustainability reporting (Daugaard & Ding, 2022; Juusola & Srouji, 2022; Wong et al., 2022). Emerging themes within sustainability reporting are sustainability reporting quality, institutional work, environmental, social and governance (ESG) disclosure and cross-country evaluation (Paridhi & Arora, 2023). The study by Paridhi & Arora also identified three main challenges in sustainability reporting, namely ‘‘(1) it is difficult to assess the impact as there is a lack of common definition or conceptual understanding for sustainability reporting, (2) absence of common standards and measurement tools to make corporates accountable and compare performance at global level and (3) there is a need to examine variables which lead to differences in reporting at country level, as there exists a huge gap in countries' ESG performance and sustainability goal attainment’’. There is also an extensive amount of research when it comes to the role of accounting expertise in financial reporting. For financial reporting, it is argued that employees in key financial reporting roles, including board members, need an in-depth understanding of the relevant standards and regulations to effectively manage financial complexity reporting. As a result, firms acquire accounting expertise to curtail the negative effects of complex financial reporting (Chychyla et

al., 2019). Government regulations and international standards have a positive and significant role if flexible in financial reporting (Tassadaq & Malik 2015). According to Chen et al. (2010), the quality of accounting of financial reporting increased after the adoption of the International Financial Reporting Standards (IFRS).

Academia has lately experienced an upsurge in the literature surrounding sustainability reporting, with studies encompassing drivers, barriers, and emerging themes (Daugaard & Ding, 2022; Juusola & Srouji, 2022; Wong et al., 2022; Paridhi & Arora, 2023). The role of external expertise, government regulations and international standards have also been researched elaborately when it comes to financial reporting. However, in the context of sustainability reporting, there is a very limited amount of research on the regulatory burden of the CSRD. One very recent paper was found which argues that the CSRD potentially is increasing both the administrative burden and operational costs for companies, which might affect their sustainability reporting practices (Birkmann et al., 2024). Also, the role of external expertise has not been researched extensively. For example, Ascani et al. (2021) calls “for more research on the competencies, skills, and roles that management accountants should play to promote the adoption and improvement of sustainability accounting and reporting”. This research will theoretically contribute to understanding the role of advisory firms in improving and promoting the sustainability reporting of companies subject to the CSRD. The advisory firms can be described as prominent accounting firms such as the “big four” (KPMG, EY, PwC, and Deloitte) but may also include other professionals offering advisory services to companies. This gap in the literature shows the need to better understand the transition from voluntary to mandatory sustainability reporting under the CSRD, the challenges companies encounter, and the role of advisory firms companies in supporting companies to comply with the sustainability reporting requirements. Therefore, the following central research question has been formulated:

RQ: *To what extent can professional service networks assist companies in the Netherlands in complying with the Corporate Sustainability Reporting Directive (CSRD)?*

Additionally, this research theoretically contributes to laying a foundation for future academic research within the domain of sustainability reporting and the CSRD, an area that is still in a relatively early stage of development. While the practice of sustainability reporting is rapidly evolving in response to growing societal and regulatory pressures, the theoretical foundation is still lacking. By exploring the role of professional service networks when it comes to providing CSRD advisory services about complying with the CSRD, this study not only provides insights

into the current state of sustainability reporting but also opens the door to new research questions. Therefore, this study aims to serve as a foundation for in-depth studies that will contribute to a more robust understanding of sustainability reporting in the years to come.

The introduction of this research proposal highlighted the literature gap within sustainability reporting and the role of professional service networks. The transition from voluntary to mandatory sustainability reporting under the CSRD is a relatively uncharted territory in academic literature. This research will also show how to assess the readiness of a field (sustainability reporting) and monitor the implementation of a new directive (CSRD). Within this research, a toolkit (2.6) will be developed to assess the readiness of companies subject to the CSRD. This checklist can be used by academia to monitor how the readiness of reporting companies develop over time. By mapping readiness and tracking progress, this research provides a structured approach to discovering how companies deal with new directives. Ultimately, the application of this theoretical contribution can lead to more efficient and effective transitions to new regulatory frameworks.

For a better overview and structure of this research, a three-phase approach is used to progressively narrow down and delve deeper into the landscape of sustainability reporting. Each of the three different phases includes its sub-questions. This can be likened to a funnel or a top-down approach, where we begin with a broad examination and gradually focus on more specific aspects. The three phases are as follows:

Phase 1: Trends and regulations in sustainability reporting

RQ1: What are the current global trends and regulations in sustainability reporting?

- *Sub question 1.1:* How has the concept of sustainability reporting evolved over the years?
- *Sub question 1.2:* What theories and motivations explain why companies engage in sustainability reporting?
- *Sub question 1.3:* How do reporting frameworks contribute to the standardization of sustainability reporting practices?
- *Sub question 1.4:* How has the regulatory landscape for sustainability reporting changed over time?
- *Sub question 1.5:* How can companies' annual and sustainability reports be analysed to assess their compliance with the CSRD?

Phase 2: Current practices of companies in sustainability reporting

RQ2: How far are Dutch companies in complying with the requirements of the CSRD in their sustainability reporting?

- *Sub question 2.1:* How can companies' annual and sustainability reports be analysed to assess their compliance with the CSRD?
- *Sub question 2.2:* How are Dutch companies currently incorporating sustainability aspects into their overall business strategies and operations?
- *Sub question 2.3:* What are the key findings when analysing the annual and sustainability reports of Dutch companies regarding the current sustainability reporting practices?
- *Sub question 2.4:* What challenges do companies experience regarding the CSRD?

Phase 3: Role of advisors and companies' needs

RQ3: What role do advisors play in supporting companies in their compliance with the CSRD?

- *Sub question 3.1:* How involved are advisors in guiding companies in sustainability reporting, with specific attention to the CSRD?
- *Sub question 3.2:* What are the specific needs of companies regarding advice on the CSRD, and what expectations do they have of advisors?
- *Sub question 3.3:* What are the key criteria for companies subject to the CSRD in selecting CSRD advisors?

1.2 Practical contribution

From a practical standpoint, this research has multiple direct implications. First of all, it contributes by shedding light on the challenges companies face in complying with the CSRD and the role of advisory firms in navigating these challenges. It offers insights into emerging trends and regulations in sustainability reporting, helping scholars and practitioners stay up to date in the evolving field of sustainability reporting.

Secondly, the research provides actionable insights into the practicalities of sustainability reporting. By assessing the current practices of Dutch companies and understanding the role of advisors, the study offers pragmatic guidance for companies aiming to enhance their compliance with the CSRD. More specifically, managers and practitioners can use this research to get a better understanding of the transforming sustainability reporting environment within their organisation, serving as a guide to complying with the CSRD.

It also addresses the specific needs of companies in terms of advisory services, helping advisory companies adjust their services based on these needs with the potential to enhance their organisational practises.

In summary, this chapter provided a comprehensive overview of the situation and complications within the evolving landscape of sustainability reporting, leading to the formulation of a focused

central research question. To address this question, a three-phase approach was introduced, each phase accompanied by specific sub-questions. The chapter highlighted the significance of the CSRD, the challenges it poses, and the role of professional service networks in assisting companies through this transition. This research aims to fill a literature gap, offering both a theoretical foundation and practical contributions to the understanding of sustainability reporting under the CSRD.

2.0 Theoretical background

This chapter is dedicated to addressing research question one and its associated five sub-questions. The goal is to explore global trends and regulations within the realm of sustainability reporting (sub-questions 1.1-1.4). To achieve this, an in-depth examination of the literature is conducted, facilitating the contextual understanding of sustainability reporting. This contextual foundation, in turn, serves as a crucial basis for developing a comprehensive toolkit aimed at evaluating companies' current adherence to the CSRD, as outlined in sub-question 1.5.

2.1 Background

The concept of sustainability accounting has emerged over the years from discussions on development in accounting (Schaltegger & Wagner, 2006) and philosophical discussions (Bebbington and Gray, 2001). First, it should be recognized that accounting has been presented conventionally for a long time and was used by both management and external parties. Records of financial accounting records can be traced back to over 4,000 years ago (Schmandt-Besserat, 1983). However, for a more relevant comparison to sustainability reporting, we consider modern financial reporting that can be traced back to the late 1800s. Financial reporting is based on accounting information that is gathered within an organization before it is prepared to be used by management and external parties. The information is prepared for presentation through disclosure in external reports. The information that is disclosed revolves around multiple statements that are related to the financial activities of an organization. To assist management control, a second type of accounting, cost accounting, was adopted. Cost accounting is closely related to financial accounting as it provides information about values for inclusion in the annual financial reports (Wells, 2006).

As financial accounting was adapted early for management control, there has been an evolution to generating information for management planning, control and decision-making (Horngren et al, 2005). The strategic importance of management accounting information has been emphasised

in recent years (Morse et al., 2003). This led to another approach, namely corporate (environment and sustainability) performance measurement and management which tries “to link strategic management, management accounting, and reporting, to organize the flow of information between its justification, creation and communication” (Schaltegger & Wagner, 2006). According to Schaltegger & Wagner (2006), the term “reporting” is not only limited to external reporting (such as financial reporting) but also includes the whole information communication process, both internally and with external stakeholders. Therefore, the process of sustainability reporting in the context of sustainability accounting and reporting consists of the collection, analysis and communication of corporate sustainability information.

2.2 Sustainability reporting

Recent decades have experienced exponential growth in non-financial reporting such as sustainability reporting. Both large companies and SMEs are informing their stakeholder more often about their environmental, social and governance performance through disclosure.

Explanations of why companies voluntarily take part in sustainability reporting include stakeholder, legitimacy, accountability and political-economic theories (Roberts, 1992; Gray et al., 1995; Deegan, 2002; Ullmann, 1985). Deegan (2002) argued that the desire to legitimise the operations of a company is shown to be one of the reasons that motivates companies to disclose social and environmental aspects. Another motivator for a company could be that reporting on sustainability shows a willingness of companies to communicate about these aspects. This could increase the relationship with stakeholders and therefore reduce these frictions and problems in these relationships. Sustainability also could enhance risk and reputation management (Bebbington et al., 2008). The reputation of a company could be increased by reporting about environmental and social aspects, resulting in higher brand value. The higher brand value may contribute to increasing business success (De Chernatony, 1999). A last motivator could be that sustainability reporting can serve as a learning tool for companies such that it improves internal information and control processes (Gond and Herrbach, 2006).

The process for sustainability reporting is similar to other performance-based business processes. It involves the same steps, but there is a difference in the type of information that is processed. According to Gittell et al. (2012), the steps in the sustainability reporting cycle are defining performance goals and metrics, measuring performance (data collection), evaluating performance (includes analysis and reporting), and managing performance. For the first step, defining performance goals and metrics, an organization should put their resources into

collecting the most relevant information in line with its sustainability efforts. To measure the progress towards the goals of the company, a company should develop key performance indicators (KPIs). In sustainability reporting, a sustainable performance indicator (SPI) is used to refer to a KPI. Once the SPI is determined, the second step can be executed. To measure the performance, the data needs to be collected, validated for accuracy and stored. The data should be collected systematically and consistently. For the third step, evaluating the performance, the goal is to convert raw data into useful information. Key aspects within the evaluation phase are data compilation, data analysis and communication. Communication is important as stakeholders can understand and learn how the company is performing.

2.3 Guidelines and frameworks in sustainability reporting

We have already delved into the motivations behind companies' voluntary disclosure of their sustainability practices. Considering that these disclosures are primarily undertaken voluntarily, often in the absence of strict regulations, a multitude of reporting frameworks and methodologies have emerged over time. At this moment, there is no universal regulation for sustainability reporting at a global level. Instead, the responsibility falls upon individual countries depending on their laws and accounting regulations. As a result, companies can choose between the different existing methods and therefore sustainability reports differ between countries (Zrnić et al., 2020). Due to the absence of a unified standard for sustainability reporting, there is a deficiency in both comparability and transparency benefits (Christensen et al., 2021).

The most common reporting standards for sustainability reports currently employed by larger (publicly traded) corporations in the Netherlands and other countries are those established by the Global Reporting Initiative (GRI). GRI holds international recognition, was founded in 1997, and has been utilized by various types of organizations (GRI, 2023). According to GRI, the standards “are designed as an easy-to-use modular set, delivering an inclusive picture of an organization's material topics, their related impacts, and how they are managed”. The standards are divided into three different kinds of standards. The universal standards are a set of standards applicable to every company, explaining the process and methodology for crafting a sustainability report. The sector standards are a set of standards relevant to most companies within a specific sector. Lastly, the topic standards are a set of standards about specific topics, such as emissions, waste, corruption, and taxes and corruption. A company selects the topic standards that are relevant to its operations.

Although voluntary reporting standards exist, regulating authorities aim to improve comparability and transparency to contribute to a more sustainable economy. The European Union started by adopting the Non-Financial Reporting Directive in 2014. Under the NFRD, large listed companies (> 500 employees), including banks and insurance companies, are required to report on non-financial information (European Commission, 2014). Although it is clear the NFRD shows a clear shift towards stronger regulations on supporting sustainability, there are still limitations and shortcomings. The NFRD consists of both mandatory requirements and voluntary elements. The mandatory requirements do require a form of disclosure on key issues but companies that do not have policies on these issues, can choose to provide minimal disclosure through the comply or explain format requiring them to only explain why they do not have such policies in place (Tsagas, & Villiers, 2020). The NFRD maintained a very generic and broad approach which resulted in failing its objective ‘to increase the relevance, consistency and comparability of information disclosed by certain large undertakings and groups across the Union’ (European Commission, 2014). Tsagas & Villiers (2020) argue that random and arbitrary compliance with different reporting initiatives makes the sustainable practices of companies rather less than more transparent.

As a result, the Corporate Sustainability Reporting Directive (CSRD) entered into force on the 5th of January 2023. The CSRD is a directive that stipulates that an increasing number of companies will be required to report on their impact on humans and the climate starting in 2024. The directive is intended to ensure greater transparency and higher quality of sustainability information. The CSRD is an EU directive that mandates large enterprises to include in their management report information about their impact on environmental aspects and HR and social aspects, meaning people and the environment. Moreover, large enterprises will be required to report on whether there are sustainability aspects that could significantly affect the company's value. Additionally, reporting will also cover governance, including responsible corporate governance and responsibility within the supply chain. In the management report, a limited level of assurance must be provided for the reporting. This assurance can be provided by either an accountant or an independent assurance service provider (European Commission, 2022).

The CSRD differs in comparison to the NFRD in several aspects. In comparison to the NFRD, the CSRD introduces additional requirements in terms of scope of application, assurance obligation, scope of disclosure, standardisation of disclosure and data digitalisation (Michalak et al., 2023).

2.4 Challenges in sustainability reporting

Debates have been going on for many years about whether governments should play a role in sustainability reporting. Proponents argue that a minimal regulatory framework helps to overcome incomplete voluntary reporting by preventing companies from conveying a misleading view of their sustainability activities through the provision of false information or greenwashing (Gray, 2006). Gray (2006) also states that ‘‘precise, reliable statements of organisations’ sustainability are oxymorons. Sustainability is a planetary, perhaps regional, certainly spatial concept and its application at the organisational level is difficult at best.’’ Opponents have questioned whether regulations have a significant impact on both corporate accountability and the quality of sustainability reporting (Owen et al. 1997). Buhr (2007) argues that regulation is not only costly but may stifle innovation. Also, sustainability reporting remains more common with large and publicly listed companies even though SMEs are a large part of the economy (Herzig and Schaltegger, 2011). Implementation challenges might also arise such as the CSR standard-setting process, the relevant materiality concept for disclosure, the use of boilerplate language as an avoidance tool and the assurance of CSR standards (Christensen et al., 2021).

2.5 The development process of accountants

There has been done research of the role of accountants when it comes to corporate reporting. According to the key roles of professional accountants are creators of value, providers of value, keepers of value or reporters of value (Makarenko & Plastun, 2017). Accountants are also involved in sustainability accounting practice but mainly execute a gate-keeping role between higher management and sustainability managers (Schaltegger & Zvevdov, 2015). Enhancing corporate reporting is closely linked to the provision of excellent ongoing professional development for accountants and auditors (Kaspina, 2015). Kaspina (2015) argues that the continuous professional development of accountants contributes to corporate reporting of high quality.

2.6 Toolkit for measuring the compliance to the CSRD

Table 1 presents the toolkit designed for the analysis of companies' annual and sustainability reports. This tool integrates the topical standards of the CSRD (Appendix A), with the framework established by Mies and Neergaard (2020). The following paragraphs demonstrate how the process was carried out, which steps were taken, and how it was designed.

Table 1: Toolkit for analysing compliance of reports

#	Key Performance Indicator	Scoring system
1	Information disclosed on ESRS E1: Climate Change	Appendix A and Scorecard by Mies and Neergaard (2020)
2	Information disclosed on ESRS E2: Pollution	Appendix A and Scorecard by Mies and Neergaard (2020)
3	Information disclosed on ESRS E3: Water & Marine Resources	Appendix A and Scorecard by Mies and Neergaard (2020)
4	Information disclosed on ESRS E4: Biodiversity	Appendix A and Scorecard by Mies and Neergaard (2020)
5	Information disclosed on ESRS E5: Circular Economy	Appendix A and Scorecard by Mies and Neergaard (2020)
6	Information disclosed on ESRS S1: Own Workforce	Appendix A and Scorecard by Mies and Neergaard (2020)
7	Information disclosed on ESRS S2: Workers in the Value Chain	Appendix A and Scorecard by Mies and Neergaard (2020)
8	Information disclosed on ESRS S3: Affected Communities	Appendix A and Scorecard by Mies and Neergaard (2020)
9	Information disclosed on ESRS S4: Consumers & end-users	Appendix A and Scorecard by Mies and Neergaard (2020)
10	Information disclosed on ESRS G1: Business Conduct	Appendix A and Scorecard by Mies and Neergaard (2020)

Article 19a(1) of Directive (EU) 2022/2464 mandates companies within its scope to provide reports not only on the company's impact on individuals and the environment (impact materiality) but also on how sustainability considerations affect the company (financial materiality). This approach is commonly referred to as the double materiality perspective.

Article 19a(2) of Directive (EU) 2022/2464 specifies which exact information should be reported on. However, the CSRD only writes about general requirements that companies should comply with. As a result, European Sustainability Reporting Standards (ESRS) were set up by EFRAG. On the 31st of July 2023, the European Commission adopted the ESRS for use by all companies subject to the CRSD (European Commission, 2022). Appendix A shows the full list of disclosure requirements. In summary, the first draft of ESRS consists of:

Two general standards:

1. ESRS 1 contains general information requirements and explains the key concepts of double materiality, reporting on the value chain, how sustainability information should be collected and presented and reporting on the value chain.
2. ESRS 2 contains general disclosure requirements related to risk and opportunity management, strategy, governance, impact, and metrics and targets.

Three topical standards (ESG):

1. Environmental standards (ESRS E1 to E5) cover climate change, pollution, water & marine resources, biodiversity & ecosystems, and resource use & circular economy.
2. Social standards (S1 to S4) address own workforce, workers in the value chain, affected communities, and consumers and end-users.
3. Governance standard (G1) addresses business conduct.

Based on the new requirements of the CSRD, as articulated in Directive (EU) 2022/2464, it is essential to develop a toolkit for analysing the sustainability or annual report of a company. In appendix A, different subjects per ESRS can be found. As an example, ESRS E1 (Climate change) covers the sub-topics climate change adaptation, climate change mitigation and energy. Examples of performance indicators in reports could therefore include energy consumption of buildings and transport, but also different kinds of emissions. By reading the complete annual report or sustainability report of a company, all different KPIs will be noted down. Based on the level of detail and the number of KPIs, an estimate is made on the level of compliance of the company on that certain ESRS. To evaluate the level of detail with which each of the ESRS is reported, the scoring system developed by Mies and Neergaard will be utilized.

The framework proposed by Mies and Neergaard (2020) serves as the foundational structure for this toolkit. Mies and Neergaard (2020) employ a scoring system (see Table 2) for assessing CSR reports, and a content analysis approach will be employed to investigate the extent of companies'

adherence to the CSRD. The degree of compliance will be quantified by dividing the company's accumulated score by the total possible points that could have been scored.

Table 2: Scoring system (Mies & Neergaard, 2020)

Points	Description
0	No disclosure or relevant information, only unspecific declarations
1	Minimum coverage, lack of detail – information is provided in a generalising, anecdotal, abstract, isolated or very brief manner
2	Mentioning with some detail, covering at least one part of the sub-indicator's definition with greater detail and/or specific examples or more than one part of the definition with some detail and short examples
3	Covering most of the parts mentioned in the definition of a given sub-indicator with some detail or minimum two parts of the definition with great detail and/or specific examples
4	Covering all parts of the sub-indicator's definition with great detail or reporting with extraordinary detail and specific examples
+1 bonus point	Bonus point awarded for quantitative information: clearly defined in monetary terms, physical quantities, total numbers or incidents or percentages and the like

To conclude, this chapter has delved into the theoretical foundations of sustainability reporting, addressing the primary research question (RQ1) and its sub-questions. We traced the evolution of sustainability reporting and the motivations driving companies to voluntarily engage in sustainability reporting. Also, the global landscape of sustainability reporting was scrutinized, emphasizing the absence of a universal standard and the different kinds of reporting frameworks. The chapter ends with an examination of the Corporate Sustainability Reporting Directive (CSRD), differentiating it from its predecessor, the Non-Financial Reporting Directive (NFRD), and outlining the challenges and expectations it poses for companies. Through this comprehensive exploration, a toolkit to evaluate companies' adherence to the CSRD is developed.

2.7 Criteria for selecting CSRD advisory services

To evaluate the role of advisory services regarding the CSRD, a literature review is conducted. The literature review compares different selection criteria for consulting services across different sectors and industries. By doing so, an overview of the most important selection criteria for consulting services is established. The result can be found in

Table 3. The selection criteria which are named more than once in the literature, are used within this research. These selection criteria are highlighted in green.

Table 3: Most named selection criteria for consulting services

Dawes et al. (1992)	Day and Barksdale (1992)	Poulfelt and Paynee (1994)	Sonmez and Moorhouse (2010)	Bennet and Smith (2014)
Reputation	Reputation	The consultancy firm's reputation		Referrals from "trusted" companies
Client knows the consultants				
Client has experience with consulting firm		Previous experience		Previous use
Experience in client's industry		Firms professional competence in the field	Knowledge of the industry	
	Competence in general		Competence in general	
	Contractual conformance	Price		
	Understanding the client		Meeting clients' needs	
	Chemistry			
		The quality of the consultant's formal presentation	Presentation skills	
			Flexibility	
			Challenging the client's ideas	
			Added value	

It can be argued that this systematic overview of selection criteria for consulting services is a good representative set of selection criteria. The chosen set of criteria prioritize criteria which are both recurring in literature and directly influence the ability to comply with CSRD guidelines. These include reputation (row 1), client has experience with consulting firm (row 3), experience in client's industry (row 4), competence in general (row 5), price (row 6), understanding the client (row 7) and quality of consultant's formal presentation (row 9). By focusing on these highlighted criteria, the research is aligning with what is most frequently deemed important by a variety of sources. This is to some extent suggesting a consensus on what factors are most critical when selecting a CSRD consultancy firm. Some of the excluded criteria may be relevant when selecting a consultancy firm. However, considering the excluded criteria, some of these criteria

were not selected as they are intrinsic to the criteria that are already highlighted (e.g., reputation and competence for added value), making it a less distinct selection factor. Also, considering that a wide array of selection criteria could provide a more comprehensive understanding, there is a practical limitation to the number of criteria that can be effectively managed. Therefore, the decision to exclude certain criteria was to some extent strategic, ensuring that the research remains focused, streamlined and manageable.

3.0 Research design

This chapter outlines the research design that will be employed to investigate the transformation of the role of professional service networks in response to the escalating significance of sustainability reporting. The chapter covers the sampling strategy, data-gathering methods, and data analysis techniques that will be utilized to address the research questions outlined in the previous sections.

Table 4 provides an overview of the research design tailored to each sub-question, aiming to identify the specific information required within the framework of the three phases and the research questions. The first essential component is a description of the context, addressing research question 1 (RQ1). This involves delineating the literature, encompassing all necessary elements to answer RQ1, and contributing to an overall understanding. Subsequently, there is a need for a theoretical framework—a tool—to delve into annual and sustainability reports and analyse the current state of compliance (Chapter 2.6). Subsequently, the study progresses to the next phase, which involves investigating research question 2 (RQ2). This phase encompasses a thorough examination of annual and sustainability reports using the tool established in the preceding research question. Next to analysing the annual and sustainability reports, interviews will be conducted with clients of one specific professional service network (from now on Company X) who are subject to the CSRD. The formulation of interview questions will depend on the findings derived from the analysis of these annual and sustainability reports. Consequently, the specific interview questions will be determined at a later stage in the research process. For the last phase, research question 3 (RQ3) will be answered. For RQ3, both clients of Company X and employees of will be interviewed to investigate what role advisors play in supporting companies in their compliance with the CSRD.

Research question	Chapter	Research population	Method of data gathering	Method of data processing	Method of analysing
<i>Sub question 1.1: How has the concept of sustainability reporting evolved over the years?</i>	Chapter 2	x	Literature study	Qualitative	Literature review
<i>Sub question 1.2: What theories and motivations explain why companies</i>	Chapter 2.2	x	Literature study	Qualitative	Literature review

engage in sustainability reporting?					
<i>Sub question 1.3:</i> How do reporting frameworks contribute to the standardization of sustainability reporting practices?	Chapter 2.3	x	Literature study	Qualitative	Literature review
<i>Sub question 1.4:</i> How has the regulatory landscape for sustainability reporting changed over time?	Chapters 2.3, 2.4 and 2.5	x	Literature study	Qualitative	Literature review
<i>Sub question 2.1:</i> How can companies' annual and sustainability reports be analysed to assess their compliance with the CSRD?	Chapter 2.6	x	Literature study	Qualitative	Literature review + Directive (EU) 2022/2464
<i>Sub question 2.2:</i> How are Dutch companies currently incorporating sustainability aspects into their overall business strategies and operations?	Chapter 4	Employees of Company X + clients of Company X	Semi-structured interviews	Qualitative	Content analysis
<i>Sub question 2.3:</i> What are the key findings when analysing the annual and sustainability reports of Dutch companies regarding the current sustainability reporting practices?	Chapter 4	Dutch companies	Analysis of reports using sub-question 1.5	Quantitative and qualitative	Content analysis using sub-question 1.5
<i>Sub question 2.4:</i> What challenges do companies experience regarding the CSRD?	Chapter 4	Employees of Company X + clients of Company X	Semi-structured interviews	Qualitative	Content analysis
<i>Sub question 3.1:</i> How involved are advisors in guiding companies in sustainability reporting,	Chapter 5	Employees of Company	Semi-structured interviews	Qualitative	Content analysis

with specific attention to the CSRD?		X + clients of Company X			
<i>Sub question 3.2: What are the specific needs of companies regarding advice on the CSRD, and what expectations do they have of advisors?</i>	Chapter 5	Employees of Company X + clients of Company X	Semi-structured interviews	Qualitative	Content analysis
<i>Sub question 3.3: What are the key criteria for companies subject to the CSRD in selecting CSRD advisors?</i>	Chapter 5	Employees of Company X + clients of Company X	Semi-structured interviews	Qualitative	Content analysis

Table 4: Research design for every sub-question

3.1 Sampling strategy

This research will employ a purposive sampling strategy to select participants who possess a strong understanding of sustainability reporting. The advantages of purposive sampling are that it is commonly used research, not so expensive, and there is no need for a list of all the population elements. Given the specialized nature of the topic, the study aims to include professionals who have experience in sustainability reporting.

The participants will be sourced from two distinct population groups. The first group is drawn from a diverse range of industries and organizations to ensure a comprehensive understanding of the various challenges and strategies across different contexts. This inclusivity spans both large corporations and Small and Medium-sized Enterprises (SMEs), with the prerequisite that the companies are Dutch and subject to the CSRD.

The second population group consists of external professionals specializing in the CSRD, specifically those assisting companies in the Netherlands to adhere to the CSRD. This subgroup comprises individuals employed by prominent accounting firms such as the "big four" (KPMG, EY, PwC, and Deloitte) and may also include other professionals offering advisory services to these companies. These professionals, either accountants or advisors, should be actively involved in the daily enhancement of sustainability reporting for their clients.

By juxtaposing the perspectives of companies subject to the CSRD and professionals offering guidance to these entities, the research aims to facilitate comprehensive insights into the role of professional service networks in influencing companies' compliance with the CSRD. This dual

perspective enhances the robustness of the study, providing a well-rounded foundation for drawing conclusions on the impact of advisory practices on corporate adherence to sustainability reporting standards.

As this study will be dealing with a small population, several considerations should be taken into account. In small populations, there is a higher risk of sampling bias. This means that the sample may not adequately represent the population. Ensuring the sample is as representative as possible or acknowledging the limitations in the generalizability of the findings is important. Interpreting results from small samples should be exercised with caution. The claims that will be made based on the results should be conservative and consider the broader applicability. Limitations related to sample size should be clearly stated at the end of the report, and findings should be presented with an appropriate level of uncertainty.

3.2 Data gathering and analysis

This study will collect the primary data through a mixed-method approach, involving the analysis of annual and sustainability reports and conducting semi-structured interviews. This methodological choice aims to obtain rich qualitative insights into the influence and role of advisory firms on sustainability reporting. The examination of annual and sustainability reports serves the purpose of determining the present compliance status of Dutch companies with various environmental, social, and governance standards. Additionally, the semi-structured interviews will be instrumental in exploring the contemporary practices of companies in sustainability reporting (as outlined in phase 2 of the research questions) and delving into the roles of advisors and the specific needs of companies (as outlined in phase 3 of the research questions). This mixed-method strategy has been adopted to ensure a multifaceted exploration of the research objectives, leveraging both quantitative and qualitative dimensions. In the end, this will lead to a holistic understanding of the landscape.

3.2.1 Data gathering and analysis of annual and sustainability reports

In the analysis of annual and sustainability reports, this study will focus on examining the compliance of Dutch companies with the specific standards outlined in the ESRS. The analysis will delve into the annual and sustainability reports of Dutch companies, assessing their adherence to these ESRS standards. However, similar to the semi-structured interviews, the precise number of annual and sustainability reports to be analysed is yet to be determined. The decision on the number of reports will be guided by the concept of data saturation, a principle observed in qualitative research. However, this research is constrained by a time limit.

The analysis process will involve a systematic review of each annual and sustainability report, with a specific focus on sections addressing environmental, social, and governance matters. The evaluation will seek to identify the extent to which companies incorporate the prescribed ESRS standards into their reporting practices.

The data gathered from the annual and sustainability reports will primarily involve the use of descriptive statistics to gain insights into the compliance level of companies with the CSRD. Descriptive statistics are essential for summarizing and presenting the main features of a dataset, providing a clear and concise overview of the observed trends and patterns.

The analysis will focus on key indicators derived from the annual and sustainability reports of Dutch companies, specifically those related to environmental, social, and governance standards outlined in the ESRS. The identified indicators will be used to assess the extent to which companies adhere to the prescribed sustainability reporting standards.

3.2.2 Data gathering and analysis of semi-structured interviews

Semi-structured interviews will be conducted with sustainability professionals who have direct involvement in sustainability reporting processes. The interviews will be guided by a predefined set of open-ended questions that are aligned with the research questions.

The interviews will be conducted either in person or virtually, depending on the availability and location of participants. Each interview is expected to last approximately 30 to 45 minutes. The responses will be audio-recorded and transcribed for further analysis.

It is important to consider the number of interviews that will be conducted. Research shows that students who conduct qualitative research encounter problems with the dilemma of data saturation (Walker, 2012). The number of interviews depends on the moment when data saturation is achieved. Data saturation is reached when the ability to acquire new information has been attained when further coding does not show any new patterns, trends or insights (Guest et al., 2006), and when there is sufficient information to repeat the study (Walker, 2012).

For the qualitative data collected from interviews, thematic analysis will be employed to identify recurring patterns, themes, and insights across participants' responses. The comprehensive qualitative data analysis methodology that will be employed, encompasses three distinct stages of coding: open coding, axial coding, and selective coding. Each of these coding stages serves a specific purpose in systematically dissecting and interpreting the collected qualitative data.

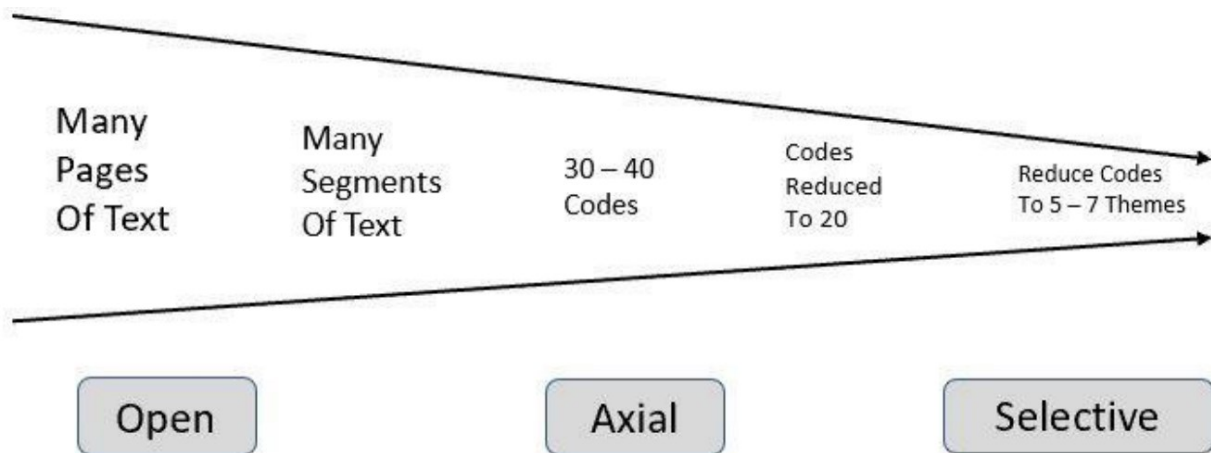


Figure 1: Overview of coding process (Williams & Moser, 2019)

For the open coding (first level of coding) at the start of the research analysis, there will be a close look at the original qualitative data. The text will be analysed line by line to pick out specific pieces of information that carry meaning. These pieces will then be sorted into initial groups or categories. The aim of this open coding step is to let patterns and ideas come out naturally from the data. To do so, qualitative software with complex data analysis tools will be used. According to Flick (2009), a practical approach to determine the different type of codes is the “5W-1H” questions (what, who, when, when, why and how). This approach helps the researcher to organize the data of the similar themes so that unique codes can be applied (Williams & Moser, 2019).

For the axial coding (second level of coding), the focus shifts to establishing relationships between the unique codes. This phase involves a more structured approach to data analysis, as higher-order categories and subcategories are identified, thus uncovering the underlying structure of the data. Unlike open coding, which aims to spot emerging themes, axial coding goes a step further. It helps to fine-tune, organize, and group these themes more precisely (Williams & Moser, 2019). In order to achieve this organizing objective, there should be engagement in continuous analysis, cross referencing, and refining theme categorization. According to Williams & Moser (2019), there are three different refinement activities that enable and advance effective content categorization, namely possessing a clear understanding of the different kind of analytical methods used in refining data and category construction, implementing the constant comparison methods and using ‘‘line-by-line’’ coding.

Selective coding (third level of coding) centres on refining and synthesizing the insights garnered from the previous phases. Core categories identified during axial coding are integrated to construct a cohesive narrative that explains the research phenomenon. Selective coding helps the

research to select and integrate the identified categories of organized data from axial coding in crafting coherent and meaningful statements (Williams & Moser, 2019).

4.0 Analysis of annual and sustainability reports

This chapter will delve into the annual and sustainability reports of five Dutch companies to assess their compliance with the Corporate Sustainability Reporting Directive (CSRD). This analysis contributes to answering the following research question with its respective sub-questions:

RQ2: How far are Dutch companies in complying with the requirements of the CSRD in their sustainability reporting?

- *Sub question 2.2:* How are Dutch companies currently incorporating sustainability aspects into their overall business strategies and operations?
- *Sub question 2.3:* What are the key findings when analysing the annual and sustainability reports of Dutch companies regarding the current sustainability reporting practices?

4.1 Data overview

To answer the questions mentioned in the introduction of this chapter, the annual reports or sustainability reports of 5 clients of Company X have been studied. Due to confidentiality, the names of the companies have been anonymized. However, a summary of their general attributes can be found in Figure 2. The studied population of companies consists of both SMEs and large companies, with employee counts ranging from 150 to 1600. A variation in reporting practices is observed, with some companies integrating sustainability information within their financial annual reports and others presenting separate sustainability reports.

For company #5, the absence of a sustainability section in the 2022 annual report resulted in combining the management report from the 2021 annual report with a separate sustainability report containing data from 2019 and 2020 for analysis.

Company:		Alliander N.V	#1	#2	#3	#4	#5
Reporting year	Year number	2022	2022	2022	2022	2022	2021*
Type of report	Integrated (I) or separated (S) report	I	S	S	I	I	I/S
Assurance	Some chapters are limited/reasonably assured	Yes	No	Yes	No	No	No
# of employees	# of employees in FTE in 2022	6,214	1000-2000	100-250	100-250	100-250	250-1000
Sector	Sector in which the company operates	Building services	Building services	Construction & Development	Water Utilities	Industrial Automation	Automotive Logistics

Figure 2: Information about studied companies

The analysis employed a benchmarking approach, utilizing a best practice example to evaluate the five clients of Company X. Benchmarking against an industry leader in CSRD practices serves multiple functions such as providing a learning model for the companies under study, establishing a standard for assessing the current reporting practices of these companies, and identifying areas requiring enhancement. According to Garengo et al. (2005), benchmarking is particularly effective as a diagnostic tool in the early stages of adopting new practices, which is the case in the context of the new CSRD requirements.

As a result, Alliander N.V. was selected as the benchmark company due to being acknowledged for having a superior level of sustainability reporting practices. It was the recipient of the Kristalprijs 2023, signifying the most transparent sustainability report for the 2022 financial year (Duurzaam ondernemen, 2023). Alliander N.V. topped the rankings of the Transparency Benchmark 2023. The Kristalprijs was established in 2010 by the Ministry of EZK together with the Royal Netherlands Institute of Chartered Accountants (NBA).

4.2 Results

First, the annual report of Alliander N.V. was analysed based on the 10 different European Sustainability Reporting Standards (ESRS). The following overview shows what was searched for in the annual and sustainability reports per ESRS.

Environmental:

- **ESRS E1: Climate change** - This standard includes climate change adaptation and mitigation but also a company's energy consumption and risks and opportunities related to climate change. Examples of performance indicators in reports include energy consumption of buildings and transport but also scope 1,2 and 3 emissions. The difference between these three different kinds of emissions is to what level the emissions are directly controlled by the company. Scope 1 emissions are direct and company-owned, such as buildings. Scope 2 emissions are indirect emissions but company-owned, such as purchased electricity. Scope 3 emissions are the hardest, as these emissions are indirect and not company-owned (so in the value chain).
- **ESRS E2: Pollution** - This standard mandates companies to report on aspects such as micro plastics and pollution of water, air, soil or food sources. Companies must disclose their strategies to minimize pollution, relevant emissions and measures taken to mitigate environmental impacts regarding pollution.

- **ESRS E3: Water and marine resources** - Companies must report on their water consumption, withdrawal, and discharges next to reporting on the extraction and use of other marine resources. Companies need to include their impact on these water sources.
- **ESRS E4: Biodiversity and ecosystems** - This standard addresses the preservation of biodiversity and ecosystems. Companies are required to disclose their impact on for example natural habitats, protected areas, and biodiversity hotspots. This also includes that they have to report on their strategies for ecosystem conservation and restoration.
- **ESRS E5: Circular economy** – This standard emphasizes resource efficiency and circular economy principles. As an example, a company has to report on the use of renewable and non-renewable resources, product design for durability and reparability, and waste reduction or recycling practices.

Social:

- **ESRS S1: Own workforce** - This standard focuses on the direct employees of a company. It covers a wide range of aspects such as employment conditions, workers' rights, diversity and inclusion, skills development, and work-life balance. For example, companies are required to report on gender diversity and employee satisfaction measures for ensuring employee health and safety as well as training and education programs.
- **ESRS S2: Workers in the value chain** - This standard extends the focus from workers who are directly employed by the company (S1) to workers who are indirectly employed but who are part of the supply chain or value chain. It is the responsibility of companies to ensure fair labour practices beyond their immediate business operations. Disclosures under this standard could include a code of conduct on the supply chain, due diligence processes within the supply chain such as a supply chain audit, but also measures to promote decent working conditions.
- **ESRS S4: Affected communities** - This standard focuses on the impact of a company on the local communities and the indigenous people. Companies are expected to disclose their approaches to respecting the rights of these communities or show their contribution to social cohesion.
- **ESRS S3: Consumers and end-users** - This standard discusses the rights, safety, and well-being of consumers and end-users of products and services. As an example, it could require companies to report on product safety, data protection practices and mechanisms for consumer feedback and complaints.

Governance

- **ESRS G1: Business conduct** - The last topical standard addresses mostly policies on corporate culture, animal welfare, political engagement, protection of whistle-blowers and corruption and bribery.

For each standard, the relevant information was examined and documented in Excel (see Table 5). In the first iteration, analysing our best practise example Alliander N.V., several key performance indicators (KPIs) per ESRS were discovered. Using these KPIs, the report of Company X's first client was analysed to see if these KPIs were mentioned. If a new KPI was found, it was added to the dedicated row in the Excel table. This approach was applied from the first to the fifth client. The outcomes of this diligent analysis are compiled in Table 5 and offer a detailed overview of the current landscape of sustainability integration among the studied companies.

The points are allocated based on the scoring system from Mies and Neergaard (2020). This scorecard assesses the extent to which the annual and sustainability report covers each European Sustainability Reporting Standard (ESRS). A high score can be achieved by detailing multiple (sub-)topics of each standard (see Appendix A), and thoroughly elaborating on a few of these (sub-)topics or a combination thereof. The scorecard awards an extra point for quantitative information. This is demonstrated in Table 5 with a small calculation in brackets. Let's consider E1 and E2 for Alliander N.V. as examples:

For E1, Alliander N.V. discusses six different topics (refer to Table 5), encompassing all three sub-topics outlined in Appendix A (climate change adaptation, climate change mitigation, and energy), and provides extensive detail on several of them, including quantitative data.

Consequently, a base score of four points is assigned, as the annual report “covers all parts of the sub-indicators definition with great detail or reports with extraordinary detail and specific examples” (Mies and Neergaard, 2020). A bonus point is given for including quantitative information, which Mies and Neergaard (2020) define as “clearly defined in monetary terms, physical quantities, total numbers of incidents, percentages, and the like.” This yields a score of 4+1, resulting in a perfect score of 5 out of 5 for Alliander N.V. on ESRS E1.

Table 5: This table provides the analysis of the annual and sustainability reports. For company #5: ‘*’ shows that the annual report of 2021 has been combined with the sustainability report of 2019-2020 for the analysis. For # of employees: ‘A’ indic

Company:		Alliander N.V	#1	#2	#3	#4	#5
		2022	2022	2022	2022	2022	2021*
ESRS E1	Climate change	5 (4+1)	4 (3+1)	5 (4+1)	1 (1+0)	0 (0+0)	5 (4+1)
	Gas consumption in buildings (m ³)	✓	x	✓	✓	x	✓
	Electricity consumption in buildings (kWh)	✓	✓	✓	✓	x	✓
	Energy/gas consumption for transport & mobility (GJ)	✓	✓	✓	x	x	✓
	Scope 1 emissions	✓	✓	✓	x	x	✓
	Scope 2 emissions	✓	✓	✓	x	x	✓
	Scope 3 emissions	✓	x	✓	x	x	x
	Generated electricity	x	x	✓	x	x	x
Compliance per company for ESRS E1:		100%	80%	100%	20%	0%	100%
Average compliance (excluding Alliander N.V.) for ESRS E1:		60%					
ESRS E2	Pollution	3 (2+1)	0 (0+0)	3 (2+1)	0 (0+0)	0 (0+0)	3 (2+1)
	CO2 emissions (Kton)	✓	x	✓	x	x	✓
Compliance per company for ESRS E2:		60%	0%	60%	0%	0%	60%
Average compliance (excluding Alliander N.V.) for ESRS E2:		24%					
ESRS E3	Water and marine resources	3 (2+1)	0 (0+0)	0 (0+0)	4 (3+1)	0 (0+0)	3 (2+1)
	Water consumption/production (m ³)	✓	x	x	✓	x	✓
	Measures to ensure water quality and quantity	x	x	x	✓	x	x
	Disclosure of sustainable water policies	x	x	x	✓	x	x
Compliance per company for ESRS E3:		60%	0%	0%	80%	0%	60%
Average compliance (excluding Alliander N.V.) for ESRS E3:		28%					
ESRS E4	Biodiversity and ecosystems	1 (1+0)	0 (0+0)	0 (0+0)	1 (1+0)	0 (0+0)	0 (0+0)
	Mitigating damage to biodiversity	✓	x	x	x	x	x
	Experiment with mowing policy	✓	x	x	x	x	x
	Sustainable land management	x	x	x	✓	x	x
Compliance per company for ESRS E4:		20%	0%	0%	20%	0%	0%
Average compliance (excluding Alliander N.V.) for ESRS E4:		4%					
ESRS E5	Circular economy	3 (2+1)	0 (0+0)	0 (0+0)	2 (2+0)	0 (0+0)	3 (2+1)
	Circularly Purchased (%)	✓	x	x	x	x	x
	Reuse of byproducts	x	x	x	✓	x	x
	Total waste generated	x	x	x	x	x	✓
Compliance per company for ESRS E5:		60%	0%	0%	40%	0%	60%
Average compliance (excluding Alliander N.V.) for ESRS E5:		20%					
ESRS S1	Own workforce	5 (4+1)	3 (2+1)	0 (0+0)	4 (3+1)	1 (1+0)	3 (2+1)
	Number of employees (#)	✓	✓	x	✓	x	✓
	Gender diversity (%)	✓	✓	x	✓	x	✓
	Gender pay ratio (%)	✓	x	x	x	x	x
	Employee Absence (%)	✓	x	x	✓	x	✓
	Women in Leadership Positions (%)	✓	x	x	x	✓	x
	Employees with Distance to the Labor Market (#)	✓	x	x	✓	x	x
	LTIF (Lost Time Injury Frequency) (#)	✓	x	x	x	x	x
	Employee satisfaction	x	✓	x	✓	x	x
	Average service years	x	x	x	✓	x	x
	Distribution of employment contracts	x	x	x	x	x	✓
Compliance per company for ESRS S1:		100%	60%	0%	80%	20%	60%
Average compliance (excluding Alliander N.V.) for ESRS S1:		44%					
ESRS S2	Workers in the value chain	2 (2+0)	0 (0+0)	0 (0+0)	0 (0+0)	0 (0+0)	0 (0+0)
	Code of conduct	✓	x	x	x	x	x
	Supply chain audits	✓	x	x	x	x	x
Compliance per company for ESRS S2:		40%	0%	0%	0%	0%	0%
Average compliance (excluding Alliander N.V.) for ESRS S2:		0%					
ESRS S3	Affected communities	2 (1+1)	0 (0+0)	0 (0+0)	0 (0+0)	0 (0+0)	0 (0+0)
	Contribution to social cohesion	✓	x	x	x	x	x
Compliance per company for ESRS S3:		40%	0%	0%	0%	0%	0%
Average compliance (excluding Alliander N.V.) for ESRS S3:		0%					
ESRS S4	Consumers and end- users	4 (3+1)	3 (2+1)	0 (0+0)	3 (2+1)	0 (0+0)	0 (0+0)
	Customer Convenience Consumers (%)	✓	✓	x	✓	x	x
	Customer Convenience Business Customers (%)	✓	✓	x	x	x	x
	Number of identified data breaches reported (#)	✓	x	x	x	x	x
	Number of complaints (#)	x	x	x	✓	x	x
Compliance per company for ESRS S4:		80%	60%	0%	60%	0%	0%
Average compliance (excluding Alliander N.V.) for ESRS S4:		24%					
ESRS G1	Business conduct	3 (3+0)	0 (0+0)	0 (0+0)	1 (1+0)	0 (0+0)	1 (1+0)
	Whistleblower policy in place	✓	x	x	x	x	x
	Complaints Procedure for Inappropriate Behaviour	✓	x	x	x	x	✓
	Number of dangerous situations	x	x	x	✓	x	x
Compliance per company for ESRS G1:		60%	0%	0%	20%	0%	20%
Average compliance (excluding Alliander N.V.) for ESRS G1:		8%					
Total compliance per company	In %	62%	20%	16%	32%	2%	36%
Type of report	Integrated (I) or separated (S) report	I	S	S	I	I	I/S
Assurance	Some chapters are limited/reasonably assured	Yes	No	Yes	No	No	No
# of employees	# of employees in FTE in 2022	6,214	C	A	A	A	B

For E2, Alliander N.V. addresses only one sub-topic. Nonetheless, the annual report provides an in-depth elaboration on this single sub-topic, including quantitative data. Thus, a base score of two points is awarded, as the annual report “mentions with some detail, covering at least one part of the sub-indicators definition with greater detail and/or specific examples, or more than one part of the definition with some detail and short examples” (Mies and Neergaard, 2020). An additional point is given for quantitative information, as defined by Mies and Neergaard (2020): “clearly defined in monetary terms, physical quantities, total numbers of incidents, percentages, and the like.” This leads to a score of 2+1, equating to a score of 3 out of 5 for Alliander N.V. on ESRS E2.

Each ESRS is scored based on the available data, aiming to provide a realistic view. However, these scores are indicative, serving to weight each ESRS and should not be regarded as factual.

4.3.1 Compliancy per company

Following this analysis, we applied the scoring card framework outlined in Chapter 2 to evaluate the KPIs, assigning scores ranging from 0 to 5. By aggregating the scores for each company across the various ESRS, we calculated an average score. Compliance for each company and ESRS was determined by dividing the points achieved by the maximum possible score of 5. This calculation provides a clear metric indicating the extent to which each company meets the CSRD requirements in their sustainability reporting, directly addressing Research Question 2.

We found that there is a huge difference in compliancy between different companies (see Figure 3). As an example, company #4 has made minimum progress in its annual report when it comes to sustainability. The annual report of company #4 was mostly based on financial data. Next to this standard financial information which each company is obligated to report on, the annual report only contained a few sentences on information related to ESG. However, this does not mean that the company does not own more information. We will try to discover this in chapter 5.

In contradiction to other companies that have been studied, there is a huge difference when it comes to CSRD aspects in the annual or sustainability reports. As an example, company #5 reported about ESG in both their annual report of 2022, but also in a separate sustainability report. This could indicate that there is less work to be done for companies that have a better fundament from previous reports. To figure this out, interviews will be conducted with these companies. The results can be found in chapter 5.

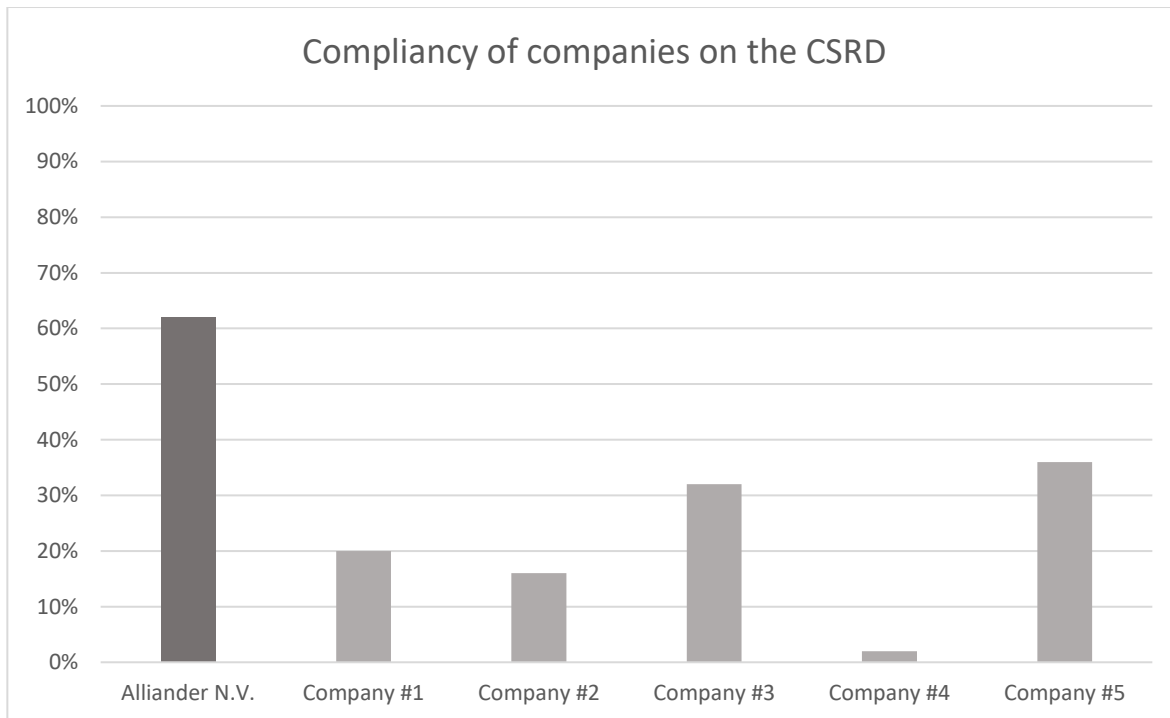


Figure 3: Compliance of companies on the CSRD

4.3.2 Compliance per ESRS

The average compliance (excluding Alliander N.V.) for each European Sustainability Reporting Standard (ESRS) was calculated by dividing the total points scored by all companies on the respective ESRS by the total number of points that could be scored (25) by all companies for that specific ESRS. This figure is valuable as it demonstrates the extent to which each ESRS is incorporated into sustainability and/or annual reports, and how close companies are to achieving compliance for each ESRS. This addresses Research Question 2: How far are Dutch companies from complying with the requirements of the Corporate Sustainability Reporting Directive (CSRD) in their sustainability reporting?

In the last few rows, the total compliance per company has been calculated as a percentage. This represents the average compliance of each of the ten ESRS per company. This metric is useful as it indicates whether a company is already close to reaching full compliance or not.

We find that there is a significant variance in how far companies have progressed in reporting based on the CSRD for each ESRS. When examining Figure 4, it is observed that ESRS E1 and ESRS S1 are the most reported on, with compliance rates of 60% and 44%, respectively. ESRS E3, E2, S4, and E5 form a second group, with compliance rates of 28%, 24%, 24%, and 20%,

respectively. It is also noted that some standards currently have a low to non-existent compliance rate, such as ESRS G1, E4, S2, and S3, with compliance rates of 8%, 4%, 0%, and 0%, respectively.

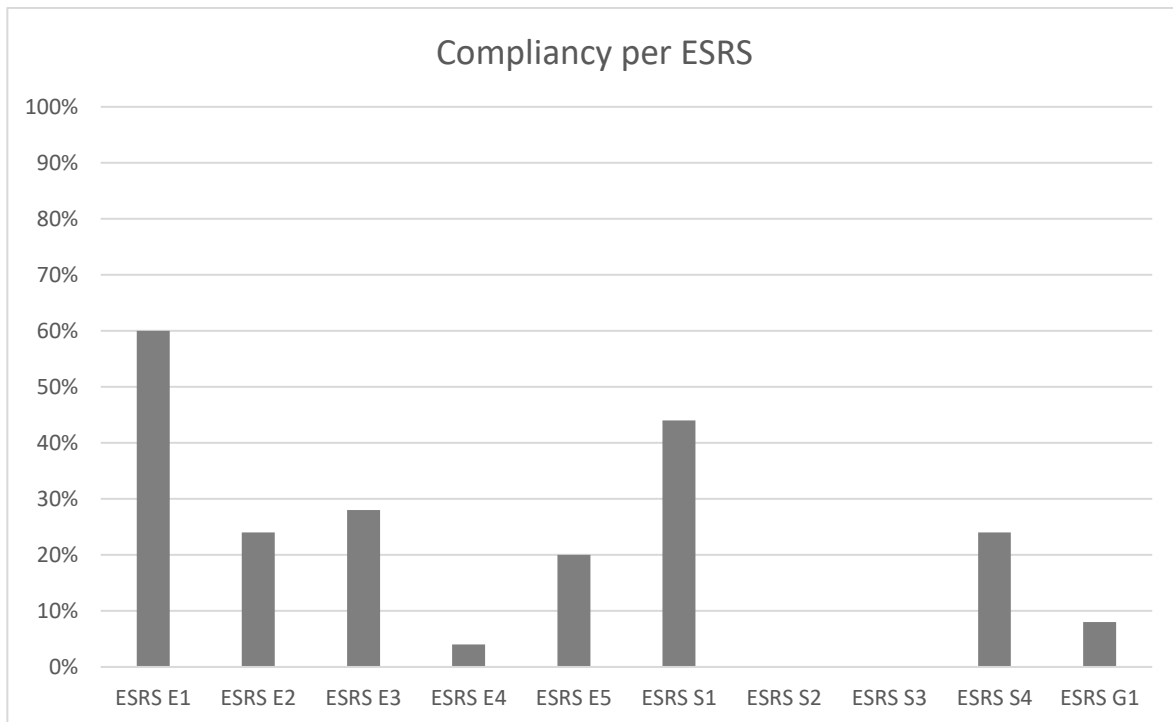


Figure 4: Compliance per ESRS of the studied annual and sustainability reports in 2022

4.4 Conclusion on the analysis of annual and sustainability reports

This chapter explored the extent to which companies have been reporting concerning the CSRD. It has been identified that there is a significant disparity for companies to address, particularly in the context of 2022. However, there is still an opportunity for these companies to bridge this gap, given that the firms under review are expected to report for the year 2025, implying that the actual reports will be available in 2026.

We have now gained an understanding of the current reporting landscape and the steps necessary for achieving compliance. Therefore, the next chapter will delve into the challenges companies face in meeting CSRD requirements and the critical role of professional service networks in facilitating the preparation and implementation for compliance with the CSRD.

5.0 Interview results

The previous chapter delved into phase 2: Current practices of companies in sustainability reporting. By doing so, the previous chapter answered the research question of how far Dutch companies are in complying with the requirements of the CSRD in their sustainability reporting. This chapter will explore further the perceived challenges by interviewing five consultants and five companies who are subject to the CSRD. This chapter will also investigate the next phase, phase 3: the role of advisors and companies' needs. An overview of the interviewees who were interviewed to answer the related questions can be found in Figure 5. These interviews correspond with the annual and sustainability reports from Chapter 4. As an example: the financial controller from Company #1 is employed at company #1 from Chapter 4.

	Company	Job title	Years of experience in the working field	Months of experience (CSRD)	Fulltime / Parttime (CSRD)	Sector	Employees company	When to report on CSRD
Consultant #1	KPMG	Consultant	0-3 years	6-18 months	Parttime	Professional Service Network	273000	N/A
Consultant #2	KPMG	Consultant	0-3 years	6-18 months	Parttime	Professional Service Network	273000	N/A
Consultant #3	KPMG	Consultant	0-3 years	6-18 months	Fulltime	Professional Service Network	273000	N/A
Consultant #4	KPMG	Senior manager	10+ years	18-36 months	Fulltime	Professional Service Network	273000	N/A
Consultant #5	KPMG	Senior manager	10+ years	6-18 months	Parttime	Professional Service Network	273000	N/A
Company #1	N/A	Financial controller	10+ years	6-18 months	Parttime	Building Services	1001-2000	2025
Company #2	N/A	Reporting specialist	10+ years	6-18 months	Parttime	Construction and Development	100-250	2025
Company #3	N/A	Strategic program manager	3-10 years	6-18 months	Parttime	Water Utilities	100-250	2025
Company #4	N/A	CFO	10+ years	6-18 months	Parttime	Industrial Automation	100-250	2025
Company #5	N/A	Project manager	3-10 years	6-18 months	Parttime	Automotive Logistics	251-1000	2025

Figure 5: Overview of interviewees

5.1 Current practises

According to the consultants and senior managers of Company X, companies are increasingly active in sustainability reporting, partly driven by the upcoming Corporate Sustainability Reporting Directive (CSRD) requirements. It is highlighted by the interviewees that there is an increase in demand for advisory services in the area of sustainability reporting (which also contributes to growth in the different regional advisory departments), especially among medium-sized companies that often do not have a specific sustainability department. These companies are primarily concerned with understanding and implementing sustainability standards and strategies while being at various stages of preparation. The importance of transparency and the need to report both financial and non-financial data are emphasized. Company X offers phased support, which can differ from identifying relevant sustainability themes (double materiality analysis) to future implementation advice.

The interviewed companies share their first-hand experiences and challenges when it comes to navigating the complexity of sustainability reporting and implementation. Some companies are proactively forming working groups by gathering employees from different departments and setting up projects to comply with the CSRD, while other companies are still in the initial phase of understanding what the CSRD exactly requires of them. The interviews show a spectrum of approaches, from companies that have already integrated sustainability into their business strategies to those struggling with the first steps of sustainability reporting. In general, the studied companies are not far along in the process and often lack a sustainability department. However, there is awareness of the need to systematically collect and report sustainability data. An overview of the sustainability efforts and CSRD preparations of the studied companies can be found in Table 6.

Table 6: Overview of sustainability efforts and CSRD preparations of the studied companies

Company #1	Is actively engaged with CSRD. They have finished the double materiality analysis and are now focusing on the gap analysis and integrating sustainability into their strategy. A CSRD team has been set up with heads of different departments, such as HR, procurement, safety and a financial controller. Gains external advice from Company X and discusses CSRD with their accountant.
Company #2	Has been preparing for CSRD reporting since September 2023 with a project group consisting of personnel from different departments, such as HR, IT, procurement, strategy and external help from Company X.
Company #3	Sees sustainability as a core part of their societal role, with a strategic sustainability manager integrating sustainability themes into various business functions. Tasks are integrated into various roles throughout the organization, with external help from Company X.
Company #4	Early phase. Has a minimal focus on sustainability. Sustainability efforts are more incidental than structurally integrated within their business, despite being aware of CSRD requirements. Specific individuals are assigned to the CSRD, with external help from a third party for sustainability initiatives. CFO plays a leading role.
Company #5	Started preparations in the middle of 2024 and sees an explosive increase in sustainability initiatives which are mostly driven by legislation, family values, and potential commercial benefits. They are working on the CSRD with a specific project that includes representatives from HR, finance and external advice from Company X.

5.2 ESRS challenges

In Chapter 4, we explored the extent to which companies have been reporting concerning the CSRD. We found that there is a huge gap for companies to fill. This section will explore the perceived difficulty of filling this gap as assessed by professionals directly involved in sustainability reporting.

Each interviewee was asked to rate the difficulty of each ESRS on a scale from 0 to 4, with the ratings defined as follows: 4 denoting 'very easy', 3 'easy', 2 'neutral', 1 'difficult', and 0 'very difficult'. This qualitative assessment aimed to find the ease of implementing the ESRS in practical business scenarios.

The sustainability reporting professionals consist of five consultants and five representatives from five different companies (see Table 7) complies with each of the different European Sustainability Reporting Standards (ESRS). The data presented in the table shows the aggregated scores of perceived ease of compliance with the ESRS, as assigned by the sustainability reporting professionals. Each interviewee was asked to evaluate the ease of implementing each ESRS, with higher percentages indicating easier compliance.

Table 7: The perceived difficulty of the ESRS - assessed by sustainability reporting professionals

	ESRS E1: Climate change	ESRS E2: Pollution	ESRS E3: Water and marine resources	ESRS E4: Biodiversity and ecosystems	ESRS E5: Circular economy	ESRS S1: Own workforce	ESRS S2: Workers in the value chain	ESRS S3: Affected communities	ESRS S4: Consumers and end-users	ESRS G1: Business conduct
Consultant #1	3	3	3	3	2	3	0	2	1	0
Consultant #2	0	1	3	0	1	4	1	3	3	3
Consultant #3	1	1	2	1	1	3	2	2	2	3
Consultant #4	0	1	2	1	2	3	2	1	2	3
Consultant #5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total points scored	4	6	10	5	6	13	5	8	8	9
% for consultants	25%	38%	63%	31%	38%	81%	31%	50%	50%	56%
Company #1	1	1	N/A	N/A	1	3	1	N/A	N/A	3
Company #2	1	1	3	2	1	2	0	3	3	3
Company #3	0	3	3	0	(N/A)	2	1	2	2	3
Company #4	4	4	N/A	1	1	4	1	N/A	1	4
Company #5	3	3	3	2	2	3	1	N/A	N/A	2
Total points scored	9	12	9	5	5	14	4	5	6	15
% of companies	45%	60%	75%	31%	31%	70%	20%	63%	50%	75%
% of all	36%	50%	68%	31%	34%	75%	25%	54%	50%	67%

In assessing compliance with environmental standards (E1-E5), consultants and companies have different perceptions of the difficulty of compliance. For climate change (E1), pollution (E2), and water and marine resources (E3), companies reported higher percentages of ease (45%, 60%, and 75% respectively) compared to consultants (25%, 38%, and 63% respectively), suggesting that companies find these standards less challenging. Both groups consider biodiversity and ecosystems (E4) equally challenging, while companies find the Circular Economy (E5) easier (38%) compared to consultants (31%).

In the realm of social standards, the differences are evident again. For own workforce (S1) and workers in the value chain (S2), consultants report higher ease (81% and 31%, respectively) compared to companies (70% and 20%, respectively). Conversely, affected communities (S3) are rated as easier by companies, with 63% compared to 50% by consultants. For consumers and end-users (S4), both groups consider the ease of compliance the same, at 50%.

Regarding governance, Business Conduct (G1) is perceived as moderately easy by consultants, with a 56% ease of compliance, while companies find it relatively easier, reporting a 67% ease of compliance.

To determine whether both groups (companies and consultants) agree on the level of compliance difficulty per ESRS standard, the results have been visualized in Figure 6. Generally, there is a certain level of consensus on the difficulty of each ESRS standard, with no perceived difference greater than 22%. Additionally, it is observed that on average, ESRS S1, E3, and G1 are considered the easiest, in that order, with S1 being the easiest. The standards S3, S4, and E2 are considered moderately easy, with ease percentages around 50%. The standards considered most difficult are S2, E4, E5, and E1, in that order.

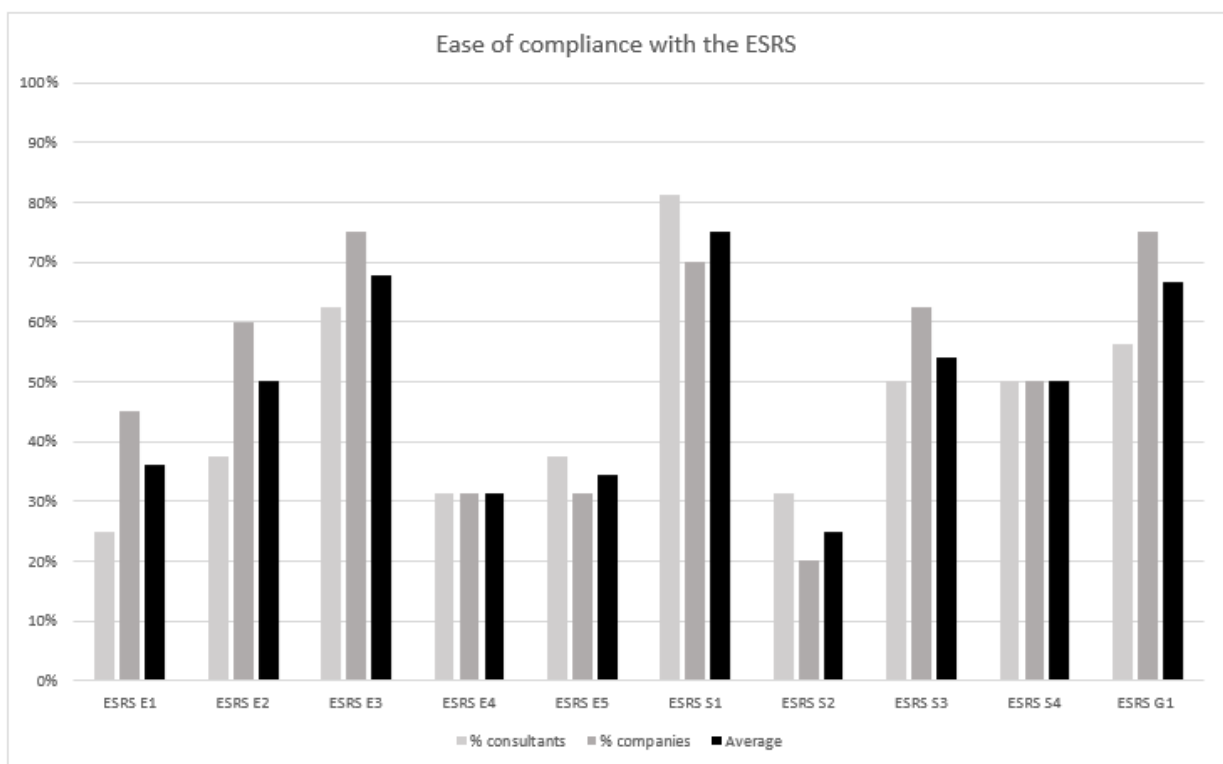


Figure 6: Ease of compliance per ESRS

To see whether both groups (the companies and consultants) agree on the level of compliance per ESRS standard, the results have been visualised in Figure 6. Analysing the difference between consultants and companies regarding the ease of compliance with the ESRS, the data reveals a relatively consistent view across the different ESRS, with no disparity exceeding 22%. This suggests a broad consensus between both groups on the complexity associated with each standard.

Specifically, standards related to S1 (own workforce), E3 (water and marine Resources), and G1 (business conduct) emerge as the least challenging. Among these, S1 is seen as the most straightforward, followed by E3, and then G1, indicating these areas may be currently better understood or more integrated into business practices. All three standards have a higher percentage than 67%.

The standards that show a medium level of difficulty, around the 50% mark, include S3, S4, and E2. These suggest that while these standards are challenging, they are not perceived as the most difficult areas within the ESRS framework.

The most demanding standards, according to the gathered insights, are S2 (workers in the value chain), E4 (biodiversity and ecosystems), E5 (circular Economy), and E1 (climate change), listed from most to least challenging within this group. These areas are likely to require more intensive effort and resources to achieve compliance. Possible explanations for this could be that there is a need for specialized strategies or a lack of available data.

5.3 Challenges

This section aims to answer sub-question 2.3: What challenges do companies experience regarding the CSRD? Within the interviews, the challenges concerning the CSRD and preparing for the CSRD were discussed. Most interviewees indicate the challenges regarding data management, complexity and understanding of the CSRD, and labour market shortages. In Table 8, all challenges that were mentioned are noted down for each interviewee.

Table 8: CSRD challenges per interviewee

Company / Consultant	Challenges
Consultant #1	Supply chain approach, gathering and storing information, gap analysis, insight into suppliers
Consultant #2	Availability of FTEs, complexity of CSRD, environmental and scientific knowledge, data collection (especially environmental impact)
Consultant #3	Complexity of CSRD, double materiality analysis, strategy and policy formulation, implementation and data collection, organizational structure change
Senior manager #4	Capacity for CSRD tasks, data fragmentation, understanding of non-financial data and sustainability themes, anticipating unforeseen factors
Senior manager #5	Employee availability, sustainability knowledge, cost management
Company #1	Time and knowledge
Company #2	The complexity of CSRD, ongoing developments during the project, vagueness in regulations, differences in interpretation
Company #3	Changing standards, generic CSRD terms, interpretation of material themes, differing advice between Company X and BDO
Company #4	Interpretation and implementation of CSRD requirements
Company #5	Complexity of CSRD, practical implementation of CSRD requirements, data collection and gap analysis

If we code these different challenges and categorise them based on generic terms, we identify the following similarities for challenges concerning the CSRD.

- 1. Data management** - This includes challenges related to the collection, storage and reliability of CSRD data. Challenges that were mentioned by the interviewees regarding

data management include ‘gathering and storing information’, ‘data collection’ and ‘data fragmentation’.

2. **Resource allocation** - This involves allocating sufficient staff and time to the CSRD within the company. Multiple interviewees mentioned this challenge by expressing their concerns on ‘availability of time’, ‘capacity for CSRD tasks’ and in general a need for time.
3. **Complexity and understanding** – This shows that both companies and consultants feel that the CSRD is a challenge for companies due to its complexity and the difficulty in understanding and applying it. It is indicated by different interviewees in different ways, such as a ‘need for knowledge’, ‘complexity of the CSRD’, ‘environmental and scientific knowledge’, ‘understanding of non-financial data and sustainability themes’, ‘interpretation of material themes’, and ‘vagueness in regulations’.
4. **Implementation** - This is about complying with CSRD requirements, including formulating strategies and policies, and the practical implementation within the organization. This includes ‘strategy and policy formulation’, ‘anticipating unforeseen factors’, and ‘interpretation and implementation of CSRD requirements’.
5. **Supply chain transparency** – The CSRD does not only demand sustainability information regarding the own company but also within the value chain. Multiple interviewees mentioned that this is a challenge within the CSRD. Examples that were mentioned are ‘scope 3 emissions’, ‘supply chain approach’ and ‘insight into suppliers’.
6. **Difference in stakeholder expectations** – This concerns the interaction and communication with different stakeholders. In this context, it mainly emphasises the challenge for companies to obey the expectations of the accountant and the advising company. For most companies, the audit firm cannot be involved in preparing for the CSRD due to the independency requirement, to prevent conflicts of interest. This sometimes results in different advice from the auditor and the advisor.
7. **Regulation clarity** – This refers to the clarity and stability of regulations, indicated by interviewees as ‘changing standards’ and ‘generic CSRD terms’. According to the interviewees, this makes it even more difficult to understand the CSRD.

To summarise, several respondents have indicated difficulties with data management and that there are labour market shortages which makes it difficult to find qualified personnel with the relevant knowledge for CSRD projects. In addition, there seems to be a general uncertainty about the exact requirements, which means that the CSRD is difficult to comprehend for companies.

As a result of these challenges and the other challenges mentioned above, there is a need for guidance in interpreting the guidelines and applying them in practice. Companies are seeking practical solutions and advice from professional service networks to meet the complex requirements of the CSRD. It appears that the execution of the CSRD varies within different organizations and that the CSRD has a significant impact on the operational and strategic processes of businesses resulting in a need for specialized knowledge and systems to meet these reporting requirements.

We have identified several challenges that companies cope with regarding the CSRD. An upcoming question that this research wants to answer is how consultants can help companies with these challenges and which role consultants play in the process of preparing and complying with the CSRD.

5.4 Role of consultants regarding the CSRD

The previous section outlined various challenges that companies face. The next step in this research will investigate the role of advisors and the needs of companies concerning the CSRD. This brings us to the final phase of our research, Phase 3: The Role of Advisors and Companies' Needs.

This section aims to address Research Question 3 (RQ3): What role do advisors play in assisting companies with their compliance with the CSRD? Of the three sub-questions for RQ3, this section will focus on the first two sub-questions, namely:

- Sub question 3.1: How involved are advisors in guiding companies in sustainability reporting, with specific attention to the CSRD?*

- Sub question 3.2: What are the specific needs of companies regarding advice on the CSRD, and what expectations do they have of advisors?*

Based on the interviews with both employees of Company X and its clients, a multifaceted picture emerges. We find that advisors, represented by Company X employees in the context of this research, fulfil various and crucial roles in the process of preparing and complying with the CSRD. Using the interviews from both the consultants and the companies, different roles can be established.

The first role can be described as a **guiding role**. Both employees of Company X and companies subject to the CSRD indicate that advisors act as guides by understanding the complexity of the

CSRD, explaining this complexity, and translating it into understandable language for the companies. This includes clarifying legal requirements and interpreting the guidelines, but also highlighting key aspects of sustainability reporting. Examples that have been introduced in the interviews are facilitating workshops and sessions to create awareness and guide the double materiality analysis, which is essential in the process of complying with the CSRD.

Another role that advisors take concerning the CSRD is a **facilitating role**. Companies indicate that they do not have the right tools and methods in place which are needed for preparing and complying with the CSRD. Big advising companies such as Company X can provide practical tools and templates that help to streamline the reporting process. As an example, Company X's consultants use Excel templates and specific tools such as gap analysis tools and double materiality work files to support companies in assessing their current position concerning the CSRD and their path to compliance.

A future role Company X anticipates adopting, following the completion of the gap analysis and double materiality analysis, revolves around **providing support in the implementation phase.** However, it should be taken into account that offering implementation support for certain audit clients must be approached with caution to adhere to independence requirements.

Most companies acknowledge the complexity of the CSRD and the value that CSRD specialized advisors add, not only in the exploratory phase but also in the (future) implementation phase as an ongoing source of expertise. Companies view the trajectory to compliance of the CSRD with Company X as an opportunity to evaluate their current position and are considering follow-up sessions. This indicates a long-term relationship and the need for continuous support. It should also be noted some companies only are planning to need initial assistance from advisors before proceeding independently, partly due to cost considerations. This suggests that the decision to continue seeking external help is influenced not only by the need for expertise but also by budgetary considerations.

5.5 Selection criteria

In the previous section, we delved into the role of advisory services in navigating the complex CSRD landscape. We found that not all companies intend to continue using advisory services in the future, with cost factors playing a significant role in this decision. This finding suggests an opportunity for acquiring new clients in the advisory domain, underlining the importance of understanding what potential clients prioritize when choosing a consulting firm. Therefore, this section explores the selection criteria from a client's point of view when selecting a CSRD

consulting company, answering sub-question 3.3: What are the key criteria for companies subject to the CSRD in selecting CSRD advisors?

To investigate this, the interviewees (both consultants and companies) were asked to rank seven different selection criteria which were identified as the most important criteria using literature (see Chapter 2). According to the literature, these criteria are important for companies when selecting advisors. However, this literature was not specifically focusing on advisors concerning the CSRD, but many different other sectors. Therefore, asking interviewees about this helps to broaden the literature on the landscape of sustainability and more specifically to the CSRD. The dual perspective of interviewing both consultants and companies subject to the CSRD underscores the perceptions of importance from both sides of the professional service interaction.

The interviewees were asked to rank these criteria based on their importance when selecting a consulting company. The results can be found in Table 9. A score of 1 shows that the criterium was ranked as most important, while a score of 7 shows that the criterium was ranked as least important.

Table 9: Ranking of selection criteria for a CSRD consulting company

	Reputation	Client has experience with consulting firm	Experience in client's industry	Competence in general	Price	Understanding the client	Quality of consultant's formal presentation
Consultant #1	5	7	2	6	4	1	3
Consultant #2	6	3	1	2	7	5	4
Consultant #3	7	6	5	1	3	2	4
Consultant #4	4	7	1	2	5	3	6
Consultant #5	7	4	3	1	6	5	2
Average priority of consultants	5,8	5,4	2,4	2,4	5	3,2	3,8
Company #1	2	5	4	1	7	3	6
Company #2	4	1	2	3	6	5	7
Company #3	3	5	2	1	4	6	7
Company #4	7	5	4	6	3	1	2
Company #5	2	3	5	1	6	4	7
Average priority of companies	3,6	3,8	3,4	2,4	5,2	3,8	5,8
Total average priority	4,7	4,6	2,9	2,4	5,1	3,5	4,8

For a better overview, these scores have been visualised in Figure 7. The criteria with the lowest scores (and therefore the highest importance) when combining both the view of the consultants and companies are “competence in general” and “experience in client’s industry”. This suggests that companies highly value the fundamental skills and sector-specific knowledge of a CSRD consulting firm. As Company X provided these services more frequently to other clients is

according to clients an indicator of competence, suggesting a proven track record of successful implementation. The ability to demonstrate relevant experience within a client's specific sector offers a significant advantage. This aspect was often emphasized as a key factor in winning the trust of potential customers or finding a CSRD consultant. One company mentioned that their decision to engage Company X was influenced by another public company in a different region already being a client. Given the shared operational systems, opting for Company X emerged as the logical step. Additionally, industry-specific experience is valued as it assures clients that they are not funding the learning curve of unproven practices, but rather capitalizing on previously acquired insights and expertise.

"Understanding the client" holds the middle ground. It signifies that it is valued, but it is not as critical as the competencies and experience in the client's industry. However, it is still an important insight, as it reflects the need for consultants to align with their client's specific needs and business context.

The criteria "client has experience with consulting firm" and "reputation" are considered of lower importance for consultants but are somewhat higher for companies, highlighting a discrepancy in perception. Companies may perceive previous experience and reputation to play a bigger role in a company's selection as they rely on reputation and previous experience as a way of identifying the quality and reliability of consultancy practices, especially when they lack in-depth knowledge of the consulting domain. The trust associated with a well-known brand like Company X can be a decisive factor for companies, as it reduces the perceived risk and suggests a certain level of service and expertise that has been recognized by others.

"Quality of consultant's formal presentation" and "price" are the least important criteria according to the studied consultants and companies. However, for the consultants, the importance of formal presentation is perceived to be somewhat more significant. This difference could suggest that consultants place more value on the ability to communicate their work and propositions effectively, while clients are more focused on the material of what is presented rather than how it is presented.

These findings show that competence does not only include understanding the CSRD but also is about translating the requirements into actionable steps. Companies value industry experience highly due to benchmarking. The existing experience and reputation of consulting companies can be seen as a trust shortcut, reducing perceived risk by companies. Quality of presentation is less important but still shows the extent to which Company X pays attention to detail. Price is

the least important which could show companies see CSRD as an investment in compliance and strategy, and not as a cost that has to be optimised.

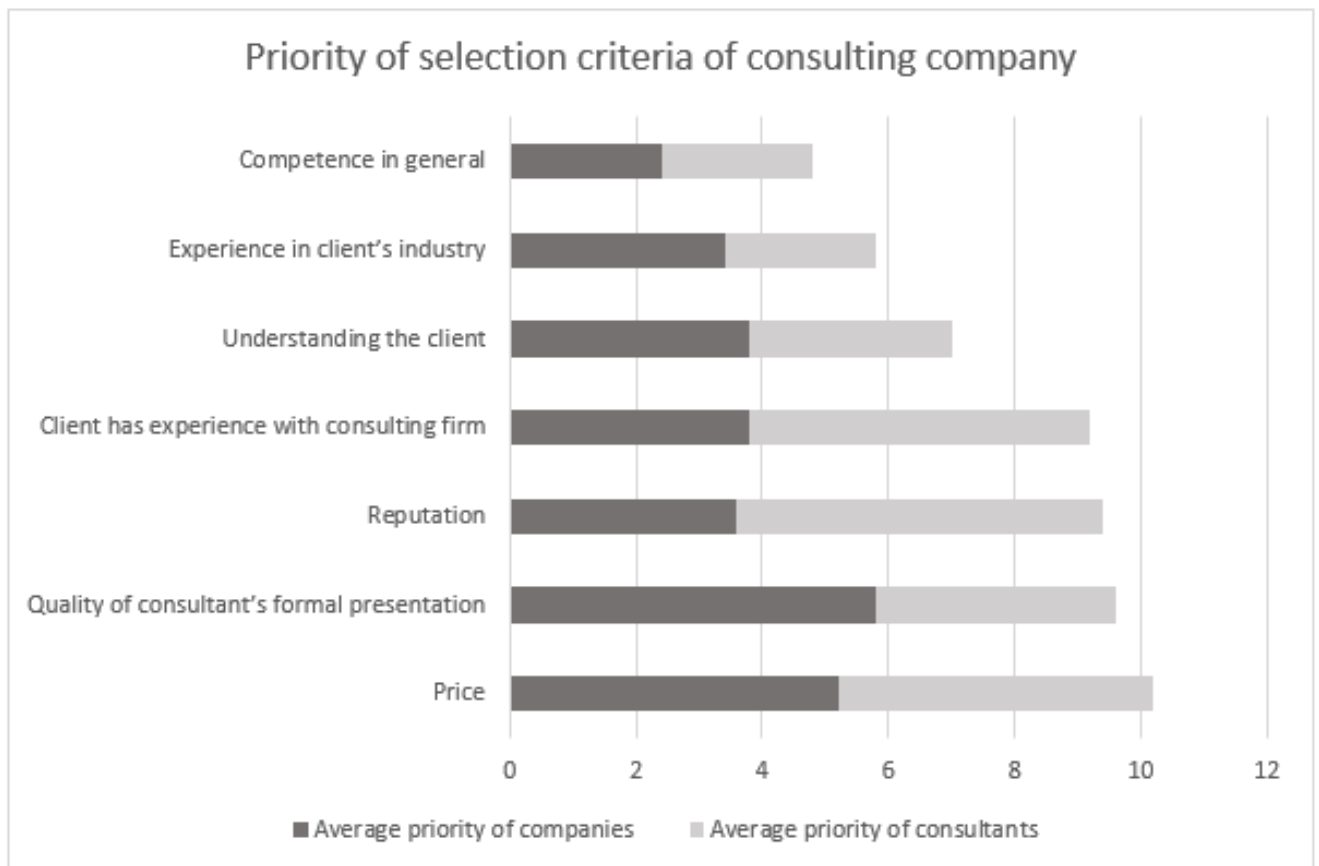


Figure 7: Ranking of selecting criteria for a consulting company

6.0 Synthesis

This chapter synthesizes the results of the previous chapters. By doing so, we hope to formulate an answer to the research questions of this research.

6.1 Heterogeneity and diversity in results

In Chapter 5.5, we explored a small and diverse group of companies subject to CSRD regulations by examining the selection criteria they prioritize when choosing CSRD advisors. Out of the small population studied, four out of five have been advised and consulted by Company X, while one has not. The results depicted in Table 9 display a range of responses, with a notable diversity in preferences. Taking into account the overview of interviewees in Figure 5, we notice that due to convenience sampling, the studied population is heterogeneous. The experience of interviewees differs, ranging from consultants to senior managers and project manager to CFO. The studied companies all operate in different sectors (building services, water utilities, industrial automation, automotive logistics) and differ in the number of employees, which ranges from 100 to 2000 employees.

According to Raju & Prahbu (2019), in the case of a heterogeneous population, there are chances that particular groups may get into the sample. Therefore, the sample cannot represent the entire population (Raju & Prahbu, 2019). This seems to be the case in this study, as there is a high diversity in interviewees and results. As an example, the diversity in the observations and data from Table 9 inhibits us from drawing definitive conclusions due to the potential for even greater variation within a larger sample. However, this research does provide an indication, which can be used as a foundation for future studies. This will be discussed in the next sections.

6.2 Categorization of companies: different views on the CSRD

Notably, the single company not advised by Company X (company #4) provided distinctly different responses. In comparison to the other companies, this company showed the least amount of progress – merely 2% – and expressed a view in the interviews that diverged sharply from the other companies: it perceived no advantages to complying with the CSRD, in stark contrast to the other companies that recognized the benefits. This difference is further understood in Table 9, where the ranking of selection criteria of company #4 regarding reputation, competence in general, price, understanding the client and quality of consultant's formal presentation shows an extreme compared to the evaluations of the other four companies. This divergence is a point of

interest for further research, hinting at the influence that the choice of advisory firms depends on the internal priorities of companies and perceptions of the value of the CSRD.

Based on these results, this research suggests the existence of at least two distinct groups of companies. Both groups have different approaches to CSRD compliance:

CSRD innovators:

This group of companies is characterized by their proactive approach to sustainability reporting. These companies show a willingness to go beyond the baseline requirements. This group views CSRD compliance not just as a regulatory obligation but as an opportunity to innovate and lead within their industry/sector. This research indicates that these companies value comprehensive competencies (competence in general, Table 9) in their CSRD consultants and a good reputation (reputation, Table 9) of these consultants, possibly reflecting their broader commitment to integrating sustainability into their core business strategies. They are prepared to invest more in high-quality advisory services (price, Table 9) that can provide not only minimal compliance but also a competitive advantage and market leadership in sustainability practices within their industry/sector.

CSRD pragmatists:

On the other hand, there is a group of companies (in the case of this research, only company #4) that approach CSRD as a compliance checkbox. These companies feel that the CSRD is a necessary step rather than a strategic opportunity. The findings suggest that these companies may prioritize criteria like cost (price, Table 9) and understanding from the consulting company (understanding of client, Table 9) in their (minimal) goals of complying with the CSRD over competence (competence in general, Table 9) or reputation (reputation, Table 9) of a consulting company. Their primary goal is to meet the CSRD requirements most efficiently and straightforwardly. This group may be operating with more constrained resources or in industries where the sustainability expectations from stakeholders (stakeholder theory, discussed in Chapter 2) are less pressing. Additionally, they may feel less societal pressure to arrange their CSRD activities with prevailing norms, values and expectations (legitimacy theory, discussed in Chapter 2). For these companies, the emphasis is on meeting the standards rather than shaping future ones.

Regarding the size of the sample population in this study, a side comment should be made. Due to the limited number of companies interviewed, this study suggests the identification of at least

two separate categories. It should be noted that this is preliminary. In other words, if the studied population is extended, it would be possible for future interviews to discover that additional companies fall into the preexisting categories. However, it is also possible that completely new and extra categories will form, which are not currently covered by the two identified categories in this research. This observation highlights the exploratory aspect of this research. To conclude, these findings indicate that the selection criteria for choosing a consultancy service depend on their perspective of the CSRD. These findings also provide a foundation for understanding the variety of approaches to complying with the CSRD. A more thorough and representative picture of the sustainability reporting landscape might be obtained by future research with a larger or more specific sample size, potentially leading to a more comprehensive categorization of company types based on their CSRD compliance procedures. For generalization of the results, a larger sample size would be an option. However, a more specific and slightly larger sample size – such as companies with big accounting firms as their advisor – might give valuable insights too.

6.2.1 Job function: view on CSRD compliance

Another factor potentially influencing the diversity in perspectives on the CSRD and the criteria for selecting advisory services regarding the CSRD could be the difference in job functions of the interviewees. For company #4, the CFO was interviewed, whereas the other companies were represented by employees with different roles such as a reporting specialist, strategic program manager, project manager and financial controller. As mentioned earlier, the findings regarding company #4 differ from the other four companies, which could in theory be related to the job function of the interviewee. A different job function could indicate a different level of responsibility, leading to different priorities, which in turn could result in varying perspectives on the CSRD and the criteria for selecting advisory services regarding the CSRD. As an example: For company #4, where the CFO – who has the ultimate financial responsibility – was interviewed, financial considerations might be particularly critical. As mentioned multiple times by the interviewed companies and consultants, high costs are associated with CSRD compliance. Given the CFO's responsibility for the financial health of company #4 and the significant expenses linked to CSRD, cost (price, Table 9) might become a more important criterion in their selection of advisory services.

As noted earlier, due to the sample size, the synthesis should be seen as preliminary. Expanding the sample size could reinforce this synthesis, but also reveal otherwise. This highlights the

exploratory nature of this research, pointing to the need for a more in-depth or broad study to understand the relationship between job function and perspective on the CSRD.

6.3 Interdependencies among selection criteria

In the previous section, we synthesized the results from the annual and sustainability reports with the interviews (including the selection criteria) to draw a preliminary conclusion about the different approaches of companies concerning CSRD while assuming that the variables in this study are independent. However, it must also be noted that there is a possibility that these different variables depend on each other, but there is not enough data available to test this. Ideally, these criteria would be independent, so that they can be analysed separately without interference from other variables. However, there might be some dependency between these variables. An example is a possible dependency between price and competence. If all companies have equal competence, the price of a consultant could become more important since companies do not want to pay more for equally competent consultants. Then again, if a certain consultant is more skilled to advise a particular company, price would be less important. Another example could be reputation and price; when the reputation of a consulting company is good, chances are high that the prices of consultancy services are higher, but companies are willing to pay this due to the good reputation.

When taking the dependency of these variables into account, we could look differently at the outcomes that can be found in Table 9. We can see that consultant #1 does not find competence in general important. As this was a remarkable outcome, the consultant was asked for his reasoning. The consultant clarified that the selection criteria competence was less crucial because a good reputation was deemed a more reliable indicator of competence. This shows new insights in viewing these variables and underscores the need for a more nuanced analysis of their interdependencies. Some variables may be deemed more or less important than these findings suggest.

6.4 Counterintuitive trends in CSRD consultancy demand

When combining the findings from the annual and sustainability reports and the interviews, it is interesting to see that companies which are still facing substantial compliance challenges with the Corporate Sustainability Reporting Directive (CSRD) are not the ones seeking ongoing consultancy services in the domain of the CSRD. At first glance, one might assume that organizations with significant compliance gaps would be the ones most actively pursuing external support. However, the evidence presented in this thesis suggests otherwise. Consider the

case of Company #4: our analysis revealed that it has a compliance rate of merely 2%, yet it reports minimal challenges in preparing for the CSRD. The company plans to proceed with CSRD implementation independently, avoiding the support of a professional service network. It could be proposed that companies which have established specialized teams or departments for this purpose may prioritize it more highly and, as a result, might have a greater need for support compared to those companies that assign it a lower priority and strive to meet the minimum requirements. Therefore, based on these findings, one could conclude that the level of compliance does not directly correlate with the need for support.

6.5 The role of company size in CSRD compliance

When synthesizing the number of employees and compliance level, we find that the three companies with the most employees, namely companies #1, #3, and #5, also report the highest compliance percentages (Figure 3). This may suggest that a company with a larger workforce is more active in sustainability efforts and the Corporate Sustainability Reporting Directive (CSRD). This may be perceived as logical, as supported by the literature reviewed in this study regarding corporate motivations. These are driven by theoretical frameworks such as stakeholder theory and legitimacy theory. Motivations might include the desire to legitimize business operations, improve stakeholder relationships, manage risk and reputation, and enhance internal controls and learning, which gain importance as a company grows. It should also be noted that company #3 falls in the 100-250 employees category, which is the same category as the remaining companies #2 and #4. Although the difference in employee numbers is not substantial, there is a significant variance in compliance levels. A key distinction among these categories is that only company #3 operates as a (semi-)public entity. Interviews revealed that company #3 identifies as having a public duty and societal responsibility, focusing on non-profit operations and having a significant interest of stakeholders regarding sustainability. This supports the theory that stakeholder motivation can be a driving force behind sustainability reporting. From these observations, one might conclude that there is a positive correlation between the number of employees in a company and the level of CSRD compliance, with the additional factor that higher compliance may also be attributed to companies influenced by stakeholders who place a high value on sustainability.

6.6 ESRS Quadrant: combining the report findings with the interview results

Both chapters 4 and 5 concluded the ESRS. Chapter 4 showed the “progress” of companies by analysing annual and/or sustainability reports based on each of the ten topical standards of the

CSRD, whereas Chapter 5 discovered the “ease” of reporting on each of the ESRS by interviewing both consultants and companies. The result of combining these two chapters can be found in Figure 8.

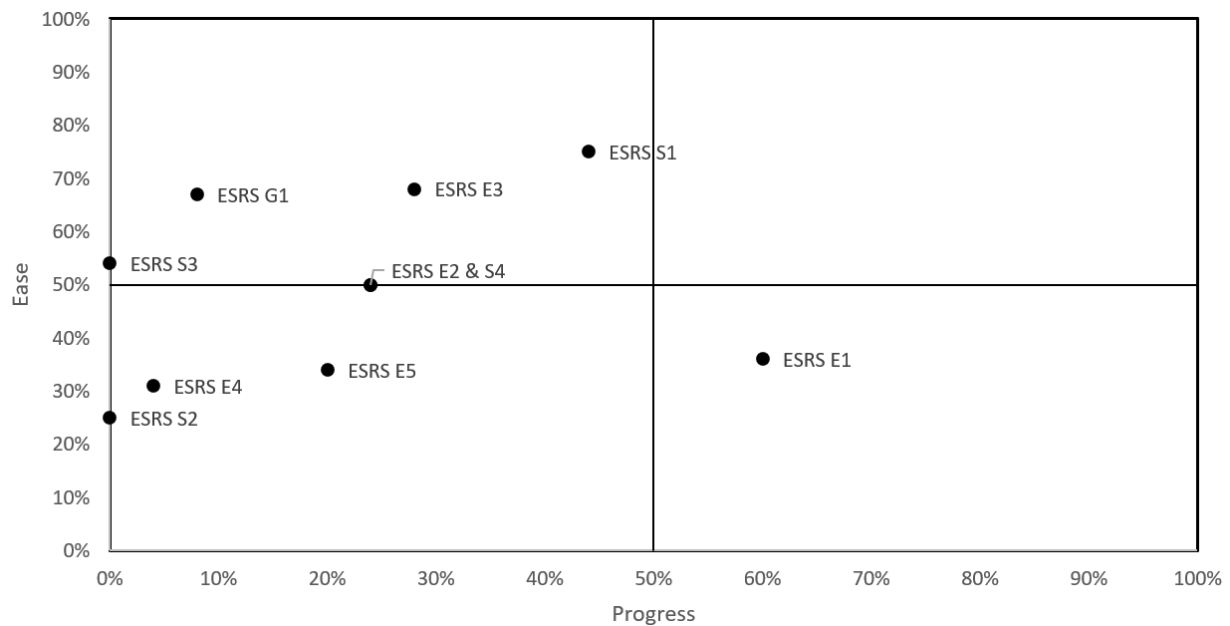


Figure 8: ESRS quadrant

The figure displays a quadrant diagram and is based on two axes: “Ease” and “Progress”:

Ease: The “ease” axis runs vertically and represents how easy each of the standards is to implement. These percentages are based on the results from Table 7, with higher percentages indicating greater ease. In Table 7, both consultants and companies were asked to rate the ease of complying with each standard with a score of 0 to 4. Adding all scores and dividing by the total amount of points that could have been scored gives us an indication of the “ease” per ESRS standard.

Progress: The “progress” axis runs horizontally and measures how far companies are in complying with the ESRS. The percentages are based on the results from Chapter 4, where we quantified the extent to which each of the studied companies is complying with the CSRD (using the scoring system from Mies & Neergaard (2020) and Appendix A). The percentages found in this table show how far companies are on complying with the CSRD. These percentages have been translated to show the “progress” per ESRS standard. Higher percentages suggest more completion, where 0% shows that there is no disclosure or relevant information on any of the ESRS, while 100% shows that all ESRS are fully covered with great detail, including all parts of the sub-indicators.

In general, the quadrant provides a visual representation of the perceived difficulty and actual progress of implementation of the different topical ESRS, highlighting which standards might require more attention and resources:

1. Top-right quadrant (high ease, high progress): This quadrant could be described as the 'given quadrant'. In theory, the standards in this quadrant are easy to achieve and progress has been made. However, as there are not any standards yet to be found in this quadrant, it shows that there is still work to be done for compliance with the ESRS.
2. Top-left quadrant (high ease, low progress): This quadrant could be described as the 'opportunity quadrant'. These standards are relatively easy to implement but no significant progress of these standards was found in the annual and sustainability reports. This may indicate opportunities for quick wins. However, it could also indicate that these areas are overlooked.
3. Bottom-right quadrant (low ease, high progress): This quadrant could be described as the 'achievement quadrant'. Even though the standard (ESRS E1) in this quadrant is difficult to comply with, the standard is being implemented smoothly and successfully.
4. Bottom-left quadrant (low ease, low progress): This quadrant could be described as the 'challenge quadrant'. These standards require foundational work, as they are both challenging and not far in terms of progress. This signals that these standards are in an area where groundwork is needed.

We find that most of the ESRS are concentrated in the two left quadrants. This suggests that most companies in this study are finding it challenging to comply with the CSRD. The single standard in the bottom-right quadrant (ESRS E1: Climate change) could indicate that this ESRS is of strategic importance to companies, which might explain the resources being devoted to this standard despite its complexity. This strategic importance can be traced back to the time when EFRAG wanted the ESRS E1 (climate change) to be mandatory for all reporting entities that fell within its scope. For companies with more than 250 employees, EFRAG set up some mandatory requirements for ESRS S1 too. However, the rules have been changed – all standards are now subject to a materiality assessment. This change could explain why ESRS E1 and ESRS S1 are the two standards with the most progress, showing that (tentative) mandatory requirements do increase progress (for example by prioritizing resource allocation), even in a short amount of time. We also notice a lack of standards in the top-right quadrant, which could suggest that there may be an overall issue with compliance or enforcement of the ESRS. Even the “easier” standards require a level of detail and thoroughness that companies have yet to achieve.

Potential reasons that could explain the differences in this quadrant are that companies prioritize certain standards based on materiality to their business, regulations, stakeholder pressure, or perceived benefits. The prioritization could be influenced by resource constraints (as identified in Chapter 5.3). These financial or human resource constraints limit the ability to report on certain standards, especially for smaller companies. Also, the internal capabilities, such as the expertise in sustainability reporting of a company, are having an impact on the ease and progress of reporting on these standards.

It should be noted that this study only focused on companies with less than 2000 employees, with each company being active in a different sector. Therefore, when increasing the sample size, chances will be relatively bigger that these findings are justified for companies under 2000 employees, active in one of the sectors of the studied sample. However, due to the heterogeneous population, it is impossible to generalise these findings.

7.0 Conclusion

In this section, the conclusion for this thesis will be provided by answering the research questions. Before jumping to the conclusion of this research, it should be noted that it is difficult to generalise these findings to all Dutch companies. This is not an uncommon problem. Reported sample sizes are often too small to support claims of having achieved theoretical saturation (Strauss & Corbin, 1990) or informational redundancy (Lincoln & Guba, 1985). Research suggests that qualitative sample sizes of 10 or more may be adequate for sampling among a homogeneous population (Sandelowski 1995). Although this study has a qualitative sample size of 10, the population consists of both companies (with multiple varying characteristics) and consultants. Instead of dealing with a homogeneous population as mentioned in the literature, this study is dealing with a heterogeneous population. In some cases (Guest, Bunce & Johnson, 2006), theoretical data saturation is found to be evident from 6 interviews onwards. However, the diversity in our results can not guarantee that the next interview will yield the same results. To try to make a justification for an adopted sample size, a reference should be made to the scope of the study and the nature of the topic (Morse, 2000), and the homogeneity of the population under consideration (Trotter, 2012). Chapter 2 of this study delineates the scope of the research and the nature of the topic (CSR), while Figure 5 shows a detailed overview of the interviewees and their characteristics, clarifying the absence of a homogeneous population to the readers of this research. Taking these aspects in mind, the audience can use this research as a foundation for further research.

The study reaches its conclusion through a systematic evaluation of each sub-question, which collectively addresses the three research questions. In turn, these research questions provide a comprehensive answer to the overarching main research question:

To what extent can professional service networks assist companies in the Netherlands in complying with the Corporate Sustainability Reporting Directive (CSR)?

Phase 1: Trends and regulations in sustainability reporting

RQ1: What are the current global trends and regulations in sustainability reporting?

This section aims to conclude phase 1 of this research and systematically provide an answer to Research Question 1 and its sub-questions. By doing so, the current global trends and regulations in sustainability reporting are concluded. The evolution of sustainability reporting (sub-question 1.1) traces back to traditional financial accounting, after which

gradually environmental, social and governance dimensions within corporate accountability and strategic management were incorporated. We found that the motivations behind a company's engagement in sustainability reporting (sub-question 1.2) can vary by different reasons and theories such as stakeholder, legitimacy, accountability and political-economic theories. The development and adoption of reporting frameworks such as the Global Reporting Initiative (sub-question 1.3) have contributed to the standardization of practices. However, due to the lack of a unified global standard, multiple challenges exist in comparability and transparency. The regulatory landscape (sub-question 1.4) has evolved from voluntary disclosures to more mandatory requirements, which can be seen by the transition from the Non-Financial Reporting Directive (NFRD) to the Corporate Sustainability Reporting Directive (CSRD).

Phase 2: Current practices of companies in sustainability reporting

RQ2: How far are Dutch companies in complying with the requirements of the CSRD in their sustainability reporting?

Although this study provides valuable insights into the current practices of Dutch companies regarding the CSRD, the conclusion on this research question should be approached with caution due to the limited amount of samples. This study offers a snapshot that may not be representative for all Dutch companies. Nevertheless, the limited amount of samples does provide important insights that assist (in future research) in understanding the progress, challenges and opportunities within CSRD compliance.

By combining literature on sustainability reporting with the topical standards of the European Financial Reporting Advisory Group (EFRAG), a toolkit for the analysis of companies' annual and sustainability reports was developed (sub-question 2.1). By using this toolkit, a spectrum of different practises was discovered, ranging from comprehensive sustainability sections within annual reports to elaborate separate sustainability reports. This study examined the extent to which Dutch companies are integrating sustainability practices into their business (sub-question 2.2). This revealed that some companies are already advanced at integrating sustainability practices, as aligned with their core business strategies, while other companies are in an early phase of incorporating sustainability reporting. This shows us that there might be an even bigger range of different practices, which could be interesting for future research.

The examination of the key findings from analysing the annual and sustainability reports of Dutch companies (sub-question 2.3) showed the extent to which each company is complying with each European Sustainability Reporting Standard (ESRS). It surfaced a mix of advancements on each of the ESRS, as some ESRS are already being discussed thoroughly in annual and sustainability reports, whereas other ESRS are not integrated at all. While some companies are accelerating in complying with the ESRS, other companies are lagging. This showed a heterogeneous implementation of the ESRS, underscoring the need for tailored CSRD compliance strategies. Addressing the challenges companies face regarding the CSRD (sub-question 2.4) showed a range of challenges, such as data management, resource allocation, and understanding and implementing the directives of the CSRD. Further research is necessary to generalise these findings or to examine the reasons for these challenges.

Phase 3: Role of advisors and companies' needs

RQ3: What role do advisors play in supporting companies in their compliance with the CSRD?

This section aims to bring us to the conclusion of phase 3, as it provides detailed insights into Research Question 3 along with its sub-questions. Using the findings from phase 2 (the need for tailored CSRD strategies), this phase specifically focuses on the role of advisors in assisting companies in their journey towards CSRD compliance. This study reveals how advisors are involved in guiding companies in sustainability reporting, with particular emphasis on the CSRD (sub-question 3.1). Advisors, in the case of this study employed at Company X, are not merely informants but are also acting as guides, facilitators or support. Advisors can act as critical navigators in the complex landscape of the CSRD. Through workshops, toolkits, and one-on-one workshops, these professionals try to offer clarity and direction to their clients. This study also delved into the specific needs of companies regarding the CSRD, and their expectations from advisors (sub-question 3.2). In this study, no correlation was found between the compliance level of a company and the need for assistance in complying with the CSRD. A reason for this might be that some companies seek advisory services that not only provide compliance roadmaps but also embed sustainability more broadly, while other companies are merely looking for minimum compliance. This study also delved into the selection criteria which are important for companies subject to the CSRD when selecting advisory services regarding the CSRD. Although the studied population is too small, there is a preliminary conclusion that

competence, industry-specific experience, and reputation are the most critical selection criteria for companies striving to be CSRD leaders when choosing an advisory service. These aspects are deemed essential as they assure companies of the advisors' ability to understand and address unique industry challenges. Companies striving for minimal compliance prioritise costs and expect advisory services to fully understand their needs. It is important to note that further research is recommended to validate, expand or refute these results, thereby deepening our understanding and refining theoretical implications derived from this initial investigation.

The complexity of the sustainability reporting, particularly under the relatively new CSRD, showed a theoretical need for an explorative multifaceted analysis to understand its current state, the challenges involved and the involved strategies. By examining the global trends and regulations (RQ1), assessing the compliance level of Dutch companies (RQ2), and evaluating the role of advisors (RQ3), this study aims to paint a holistic picture of the sustainability reporting landscape. Each phase, through its respective sub-questions and research question, provides information that collectively answers the main research question:

RQ: *To what extent can professional service networks assist companies in the Netherlands in complying with the Corporate Sustainability Reporting Directive (CSRD)?*

To conclude this main research question, the interviewed companies agreed that professional service networks play a pivotal role in the exploration phase of the CSRD in assisting Dutch companies in their compliance with the CSRD. However, some of these companies were more hesitant about the future implementation phase, preferring to manage it themselves. Even though companies have mixed feelings about complying with the CSRD, advisory services try to enable companies to navigate the complexities of the CSRD effectively through a combination of expertise in sustainability reporting practises and a comprehensive understanding of the trends and regulations. This study found that there are at least two categories of companies regarding the need for CSRD assistance, ranging from companies who want to be leaders in CSRD, to companies who aim for minimal compliance. Due to the limited and heterogeneous sample size, this research can not justify whether these are the only two categories and can not conclude whether all Dutch companies require the need for CSRD assistance. However, this research does show that there is a variety in categories of companies, and therefore a variety in needs from professional service networks.

It is clear that there is a wide range in how companies handle the CSRD, and that there are many variables that cause this. Since this research is dealing with a small sample, it is not possible to say with certainty how wide this range is and what all these variables are, but some of them have been mentioned. This research shows that there is still much to discover in this field and also much to learn regarding optimal CSRD advisory services.

7.1 Recommendations

Based on the conducted analysis and the gathered insights, several recommendations can be formulated for professional service networks like Company X, leveraging their strength in the context of assisting companies with CSRD compliance. The recommendations aim to optimize their approach to acquiring new clients and enhancing their advisory service for existing clients.

7.1.2 Recommendations for Company X

The first recommendation for professional service networks, including Company X, is to emphasize the most important selection criteria as found in Chapter 5.5. Companies value industry-specific CSRD experience and previous experience regarding a specific professional service network. Therefore, for Company X, it could be a strategic move to target clients from the accounting department in sectors where Company X's advisory branch already has CSRD-related experience. Fulfilling these two critical criteria, as identified by this study, can significantly increase the likelihood of securing more engagements.

The research on criteria for selecting advisory services also indicated that companies place considerable importance on their reputation and previous experiences with Company X. In contrast, Company X's advisors value these two selection criteria lower, indicating a relatively smaller importance from the perspective of advisors. Therefore, in its client acquisition efforts, Company X could place more emphasis on showcasing its esteemed reputation and the positive experiences of existing clients (including other departments such as audit). This approach could include focusing on clients who are already engaged with Company X in different departments or highlighting Company X's successful track record in advisory services for sustainability reporting.

There is a division among companies on whether advisory services regarding CSRD can play a meaningful role in the future, especially concerning the implementation of the CSRD. At this moment, most companies are in the starting phase, which is understanding the CSRD.

However, the implementation phase is coming up soon for most companies. Multiple companies are planning to keep using the services regarding CSRD, while some argue that assistance, in the starting phase, is enough. In the synthesis of this research, we concluded that the level of compliance does not directly correlate with the need for support. Therefore Company X is advised to actively market its potential role in a broad area and show that there is a useful role that can be taken as a professional service network for the implementation of the CSRD. A start can be to conduct seminars or workshops to illustrate the strategic benefits of engaging with advisory services for CSRD implementation.

7.1.2 Recommendations for companies subject to the CSRD

Companies are advised to use this research as a benchmark. It can serve as a comprehensive guide in multiple ways. For instance, it offers an opportunity to assess the progress of other companies concerning the CSRD and its standards, as well as to understand the associated challenges. If a company operates within the same industry or sector as any of the examined entities, the insights gained could be even more valuable. Additionally, the quadrant analysis presented in Chapter 6 can be instrumental for companies when conducting priority assessments and planning the road to compliance concerning the different topical standards. It can provide an indication of how much still needs to be done and where the focus should primarily lie.

Companies are encouraged to initiate collaboration programs with stakeholders in their supply chain. As found in the analysis of this study, obtaining information from the supply chain is one of the challenges in complying with the CSRD. By collaborating with the rest of the supply chain, a symbiotic relationship where both parties benefit could be established. These programs could include joint workshops, shared sustainability goals, and collaborative projects aimed at reducing environmental impacts and enhancing social welfare.

7.2 Strengths, limitations and further research

7.2.1 Strengths

This research studied companies and employees with different characteristics and showed the reader that it should be taken into account that this research deals with a heterogeneous population, resulting in an unbiased study. Another strength is that this study did not only conduct document analysis. This study expanded its analysis by conducting interviews with both consultants and companies, for a multifaceted perspective on the subject. Instead of

only focusing on companies guided by Company X, this study also included a company which is not guided by Company X, therefore increasing this multifaceted perspective even more. This research has generated new insights on a very relevant topic, which can either be built up on or challenged by future research. Therefore, this research serves as a foundation for future research.

7.2.1 Limitations and further research

The applicability and generalisability of the results of this study are somewhat limited. The study has been done for only 5 companies, each of them operating in a different industry or sector. Therefore, the results do not represent a big population, and it is difficult to say whether the results would be the same if the study had been done on a larger scale.

The materiality of each company has not been taken into account for this study. In other words, companies will not be obligated to report on every ESRS standard by the CSRD. For example for studying the annual and sustainability reports of 2022, it can be argued that it makes sense that companies have not reported on certain ESRS, as these standards are not material to them. Due to a limited time, this has not been included in the analysis of this study.

The studied population of consultants only consists of consultants who are working for one specific professional network. Also, all the companies that have been studied, are in one way or another connected to this specific professional network. Either the companies are clients to the advisory services of the professional service network, or the audit services of the professional service network. This does not benefit the generalizability of the findings.

Not much research has been done on the CSRD; this research contributes to exploring and understanding the landscape of sustainability reporting. In other words, this is an exploratory research. However, this approach results in a trade-off; the study prioritizes a wide-ranging overview over an in-depth analysis, marking its breadth of coverage as both a strength and a limitation. Continuing on the fact that this research is mainly explorative instead of delving deep into one specific subject, future research could concentrate on the various variations in the challenges and opportunities of CSRD implementation. This could be mapped out while taking into account an industry-specific perspective. This can help to develop sector-specific guidelines and best practices.

Additionally, a longitudinal study could offer valuable insights. Instead of only using compliance rates of annual and sustainability reports of the year 2022, tracking the evolution of CSRD compliance could highlight how companies adapt their strategies over time, the effectiveness of advisory services throughout the process, and the actual impact of the CSRD on sustainability reporting quality and standardization. This would help to understand the long-term benefits and challenges of the CSRD.

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Appendices

Appendix A – Topical ESRS

This list shows the possible sustainability matters covered in the topical ESRS. The appendix is retrieved from: https://ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2023-5303-annex-1_en.pdf

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E1	Climate change	<ul style="list-style-type: none"> • Climate change adaptation • Climate change mitigation • Energy 	
ESRS E2	Pollution	<ul style="list-style-type: none"> • Pollution of air • Pollution of water • Pollution of soil • Pollution of living organisms and food resources • Substances of concern • Substances of very high concern • Microplastics 	
ESRS E3	Water and marine resources	<ul style="list-style-type: none"> • Water • Marine resources 	<ul style="list-style-type: none"> • Water consumption • Water withdrawals • Water discharges • Water discharges in the oceans • Extraction and use of marine resources
ESRS E4	Biodiversity and ecosystems	<ul style="list-style-type: none"> • Direct impact drivers of biodiversity loss 	<ul style="list-style-type: none"> • Climate Change • Land-use change, fresh water-use change and sea-use change • Direct exploitation • Invasive alien species • Pollution • Others
		<ul style="list-style-type: none"> • Impacts on the state of species 	Examples: <ul style="list-style-type: none"> • Species population size • Species global extinction risk
		<ul style="list-style-type: none"> • Impacts on the extent and condition of ecosystems 	Examples: <ul style="list-style-type: none"> • Land degradation • Desertification • Soil sealing
		<ul style="list-style-type: none"> • Impacts and dependencies on ecosystem services 	
ESRS E5	Circular economy	<ul style="list-style-type: none"> • Resources inflows, including resource use • Resource outflows related to products and services • Waste 	

ESRS S1	Own workforce	<ul style="list-style-type: none"> Working conditions 	<ul style="list-style-type: none"> Secure employment Working time Adequate wages Social dialogue Freedom of association, the existence of works councils and the information, consultation and participation rights of workers Collective bargaining, including rate of workers covered by collective agreements Work-life balance Health and safety
		<ul style="list-style-type: none"> Equal treatment and opportunities for all 	<ul style="list-style-type: none"> Gender equality and equal pay for work of equal value Training and skills development Employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity
		<ul style="list-style-type: none"> Other work-related rights 	<ul style="list-style-type: none"> Child labour Forced labour Adequate housing Privacy
ESRS S2	Workers in the value chain	<ul style="list-style-type: none"> Working conditions 	<ul style="list-style-type: none"> Secure employment Working time Adequate wages Social dialogue Freedom of association, including the existence of work councils Collective bargaining Work-life balance Health and safety
		<ul style="list-style-type: none"> Equal treatment and opportunities for all 	<ul style="list-style-type: none"> Gender equality and equal pay for work of equal value Training and skills development The employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity
		<ul style="list-style-type: none"> Other work-related rights 	<ul style="list-style-type: none"> Child labour Forced labour Adequate housing Water and sanitation Privacy
ESRS S3	Affected communities	<ul style="list-style-type: none"> Communities' economic, social and cultural rights 	<ul style="list-style-type: none"> Adequate housing Adequate food Water and sanitation Land-related impacts Security-related impacts
		<ul style="list-style-type: none"> Communities' civil and political rights 	<ul style="list-style-type: none"> Freedom of expression Freedom of assembly Impacts on human rights defenders

		<ul style="list-style-type: none"> • Rights of indigenous peoples 	<ul style="list-style-type: none"> • Free, prior and informed consent • Self-determination • Cultural rights
ESRS S4	Consumers and end-users	<ul style="list-style-type: none"> • Information-related impacts for consumers and/or end-users 	<ul style="list-style-type: none"> • Privacy • Freedom of expression • Access to (quality) information
		<ul style="list-style-type: none"> • Personal safety of consumers and/or end-users 	<ul style="list-style-type: none"> • Health and safety • Security of a person • Protection of children
		<ul style="list-style-type: none"> • Social inclusion of consumers and/or end-users 	<ul style="list-style-type: none"> • Non-discrimination • Access to products and services • Responsible marketing practices
ESRS G1	Business conduct	<ul style="list-style-type: none"> • Corporate culture • Protection of whistle-blowers • Animal welfare • Political engagement • Management of relationships with suppliers including payment practices 	
		<ul style="list-style-type: none"> • Corruption and bribery 	<ul style="list-style-type: none"> • Prevention and detection including training • Incidents

Appendix B – Interview companies

Background information

Functie, ervaring, rol op het gebied van duurzaamheid binnen bedrijf

Wat uw functie binnen uw bedrijf?

Hoe lang doe u dit al?

Hoeveel ervaring hebt u op het gebied van duurzaamheid en duurzaamheidsverslaggeving?

Kunt u een overzicht geven van uw functie bij xxx en uw betrokkenheid bij het verstrekken van adviesdiensten met betrekking tot duurzaamheidsrapportage?

Sub question 2.1: How are Dutch companies currently incorporating sustainability aspects into their overall business strategies and operations?

1. Hoe zijn jullie binnen jullie bedrijf op dit moment bezig met duurzaamheid?
2. Wat is de reden dat jullie hier mee bezig zijn? Wat is het verschil met vroeger? (theorie legitimiteit/verplichting)
3. Wie is/zijn er hier verantwoordelijk voor binnen jullie bedrijf?

Sub question 2.3: What challenges do companies experience when implementing the CSRD?

4. Hoe zijn jullie binnen jullie bedrijf bezig met het jaarverslag en duurzaamheid?
5. Hoe bekend zijn jullie met de CSRD en wat de CSRD voor jullie bedrijf gaat veranderen? Vanaf wanneer?
6. Zien jullie voor- en/of nadelen wat betreft de CSRD?
7. Wat hebben jullie gedaan ter voorbereiding op de CSRD? (Doelen gezet, metrics duidelijk / Data verzamelen / monitoren van voortgang / evalueren)
2A) Ja – Hoe doen jullie dit?
2B) Nee – Hoezo niet?
8. Tegen welke uitdagingen lopen jullie aan? En waarom? (Data collectie intern/extern, knowledge gap, digitalization, unstructured, etc.)
9. De 3 verschillende ESG aspecten van de CSRD bevatten 9 verschillende standaarden. Op een schaal van 1 tot 5, hoe makkelijk zal het voor jullie zijn om over elk van deze 3 aspecten te rapporteren? (zie tabel) 1 = heel uitdagend, 5 = heel makkelijk

	Very easy	Easy	Neutral	Difficult	Very difficult
ESRS E1: Climate change					
ESRS E2: Pollution					
ESRS E3: Water and marine resources					
ESRS E4: Biodiversity and ecosystems					
ESRS E5: Circular economy					
ESRS S1: Own workforce					
ESRS S2: Workers in the value chain					
ESRS S3: Affected communities					
ESRS S4: Consumers and end-users					

Sub question 3.1: How involved are advisors in guiding companies in sustainability reporting, with specific attention to the CSRD?

1. Welke bestaande rapportagetools en/of methoden heeft u momenteel geïmplementeerd die uw bedrijf kunnen ondersteunen bij de naleving van de CSRD?
2. Hoe gaan jullie de eerder genoemde uitdagingen oplossen? Waarom hebben jullie externe hulp ingeschakeld?
3. *Tot in welke mate zijn jullie van plan om van externe hulp gebruik te gaan maken?*

Sub question 3.2: What are the specific needs of companies regarding advice on the CSRD, and what expectations do they have of advisors?

4. Zijn er specifieke gebieden waar u denkt dat uw bedrijf extra ondersteuning of advies nodig heeft om duurzaamheidsrapportagepraktijken te verbeteren? Wat is de rol van de adviseurs?
5. Wat zijn jullie verwachtingen van adviseurs met betrekking tot begeleiding bij de CSRD?

Sub question 3.3: To what extent do companies rely on professional service networks services, and what are the key criteria in selecting such advisors?

6. Welke criteria zijn voor jullie belangrijk bij het selecteren van een advies/consultancy bedrijf op het gebied van de CSRD?
7. Zou u voor mij de volgende criteria kunnen rangschikken op belangrijkheid bij het kiezen van een advies/consultancy bedrijf op het gebied van de CSRD?

	# of priority
Reputation	
Client has experience with consulting firm	
Experience in client's industry	
Competence in general	
Price	
Understanding the client	
Quality of consultant's formal presentation	

Appendix C – Interview consultants

Background information

Functie, ervaring, rol op het gebied van duurzaamheid binnen bedrijf

Wat is je functie binnen xxx?

Hoe lang doe je dit al?

Hoeveel ervaring heb je op het gebied van duurzaamheid en duurzaamheidsverslaggeving?

Kunt u een overzicht geven van uw functie bij xxx en uw betrokkenheid bij het verstrekken van adviesdiensten met betrekking tot duurzaamheidsrapportage?

Sub question 2.1: How are Dutch companies currently incorporating sustainability aspects into their overall business strategies and operations?

1. Hoe hebben de adviesdiensten op het gebied van duurzaamheidsrapportage van xxx zich ontwikkeld als reactie op veranderingen in regelgevingskaders, zoals de overgang van de Non-Financial Reporting Directive naar de CSRD?
2. In hoeverre zijn de bedrijven waarmee jullie samenwerken bekend met de CSRD?
3. Welke voor en nadelen zien jullie in relatie tot de CSRD?
4. Hebben jullie een toename opgemerkt in de vraag naar adviesdiensten met betrekking tot duurzaamheidsrapportage? Zo ja, wat denkt u dat de drijvende krachten zijn achter deze toename, en wat is het verschil met vroeger (vóór de CSRD)?

Sub question 2.3: What challenges do companies experience when implementing the CSRD?

5. Vanuit jouw perspectief, wat zijn de veelvoorkomende behoeften of uitdagingen waarmee bedrijven worden geconfronteerd bij het naleven van de CSRD?
6. Zijn er specifieke gebieden waarvan jullie denken dat bedrijven jullie hulp goed kunnen gebruiken?
7. De 3 verschillende ESG aspecten van de CSRD bevatten 9 verschillende standaarden. Op een schaal van 1 tot 5, hoe makkelijk zal het voor jullie zijn om over elk van deze 3 aspecten te rapporteren? (zie tabel) 1 = heel uitdagend, 5 = heel makkelijk

	Very easy	Easy	Neutral	Difficult	Very difficult
ESRS E1: Climate change					
ESRS E2: Pollution					
ESRS E3: Water and marine resources					
ESRS E4: Biodiversity and ecosystems					
ESRS E5: Circular economy					
ESRS S1: Own workforce					
ESRS S2: Workers in the value chain					
ESRS S3: Affected communities					
ESRS S4: Consumers and end-users					
ESRS G1: Business conduct					

Sub question 3.1: How involved are advisors in guiding companies in sustainability reporting, with specific attention to the CSRD?

8. Welke bestaande rapportagetools en/of methoden heeft u momenteel geïmplementeerd die uw bedrijf kunnen ondersteunen bij de naleving van de CSRD?
9. Welke rol kunnen vervullen jullie bij het ondersteunen van bedrijven bij de naleving van de CSRD?
10. Hoe verzamelt xxx feedback van klanten over de effectiviteit van adviesdiensten op het gebied van duurzaamheidsrapportage?
11. Hoe passen jullie adviesdiensten aan om te voldoen aan de specifieke behoeften en uitdagingen van elke klant, rekening houdend met de diversiteit van industrieën?
12. Vanuit jouw perspectief, welke opkomende trends of veranderingen voorzien je op het gebied van duurzaamheidsrapportage, en hoe bereidt xxx zich voor om zijn diensten aan te passen?

Sub question 3.3: To what extent do companies rely on professional service networks services, and what are the key criteria in selecting such advisors?

13. Welke criteria zijn volgens jullie belangrijk voor bedrijven bij het selecteren van een advies/consultancy bedrijf op het gebied van de CSRD?
14. Zou u voor mij de volgende criteria kunnen rangschikken op belangrijkheid bij het kiezen van een advies/consultancy bedrijf op het gebied van de CSRD?

	# of priority
Reputation	
Client has experience with consulting firm	
Experience in client's industry	
Competence in general	
Price	
Understanding the client	
Quality of consultant's formal presentation	