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DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

Financial Markets
The Director

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Patrick Parent
Chair CEAOB
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Subject: Request for the adoption of non-binding assurance guidelines and for a technical advice for the development of EU specific add-ons and carve-outs (if applicable) to be included in the Delegated Act adopting limited assurance sustainability standards based on the final version of ISSA 5000.

Dear Mr Parent,

On 5 January 2023, the Corporate Sustainability Directive (EU) 2022/2464 (CSRD) entered into force. The CSRD amended Audit Regulation (EU) No 537/2014, Transparency Directive 2004/109/EC, Audit Directive 2006/43/EC and Accounting Directive 2013/34/EU.

On 31 July 2023, the Commission adopted twelve European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Accounting Directive, as amended by the CSRD.

On 22 December 2023, the Commission Delegated Regulation (EU) 2023/2772 was published in the Official Journal (L.1-284).

As from financial years starting on 1 January 2024, large companies shall draw up sustainability reports based on the ESRS. These reports will need to be verified by statutory auditors or other assurance services providers, starting in 2024-2025.

The CSRD requires the adoption of limited assurance standards by the Commission by 1 October 2026 at the latest to clarify what is expected from statutory auditors and other assurance services providers when carrying out an assurance engagement regarding the sustainability information reported pursuant to the ESRS.

This will leave a gap during which there will be no assurance standards adopted at EU level. The CSRD states that Member States can adopt national standards as long as the Commission has not adopted standards at EU level.

Meanwhile, the International Auditing and Assurance Board (IAASB) is developing a new comprehensive International Standard on Sustainability Assurance (ISSA) 5000 for statutory auditors and other assurance services providers. The IAASB finalised a public consultation on its exposure draft on 1 December 2023. The IAASB plans to adopt ISSA 5000 by the end of this year.

The CSRD (recital 69) says that *‘with a view to facilitating the harmonisation of the assurance of sustainability reporting across Member States, the CEAOB should be encouraged to adopt non-binding guidelines to set out the procedures to be performed when expressing an assurance opinion on sustainability reporting, pending the adoption by the Commission of an assurance standard covering the same subject matter.*

Our aim is to avoid fragmentation and - together with the CEAOB - ensure that practices are as consistent as possible during this transitional period.

With this objective in mind, while the IAASB is finalising ISSA 5000, we would like to invite the CEAOB to develop - by end July 2024 - non-binding guidelines that should help statutory auditors and other assurance services providers in absence of an EU standard. These guidelines on limited assurance should remain high-level and risk-based to allow for burden reduction. They should take into consideration the IAASB work on ISSA 5000 and CEAOB members’ guidance on limited assurance on sustainability information, and any other available elements to meet the EU legislation requirements and pave the way toward the adoption of an EU limited assurance standard. They should especially focus on EU specific elements and the content of the assurance report. The proposed guidelines should be submitted to public consultation to ensure they are fit for purpose and a final version reflecting received feedback should be published later in the year.

In addition, the CEAOB is invited to prepare a technical advice for the development of EU specific add-ons (and possible carve-outs) to ISSA 5000 to be used for the preparation of the Delegated Act adopting limited assurance sustainability standards. Carve-outs will cover items which are contradictory with EU legal provisions, if any, and those specific to reasonable assurance. Add-ons will cover items not or not appropriately covered by ISSA 5000. Examples of such elements include: the assurance opinion on compliance of the sustainability reporting with the requirements to markup sustainability reporting, and with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852 and the format and content of the EU audit report. This list of topics is not exhaustive, other items might be identified in the coming period.

We would welcome to receive this technical advice by May 2025.

Yours faithfully,

Ugo Bassi