

# CEAOB GUIDELINES LIMITED ASSURANCE ON SUSTAINABILITY REPORTING

**Brussels – 15 November 2024**

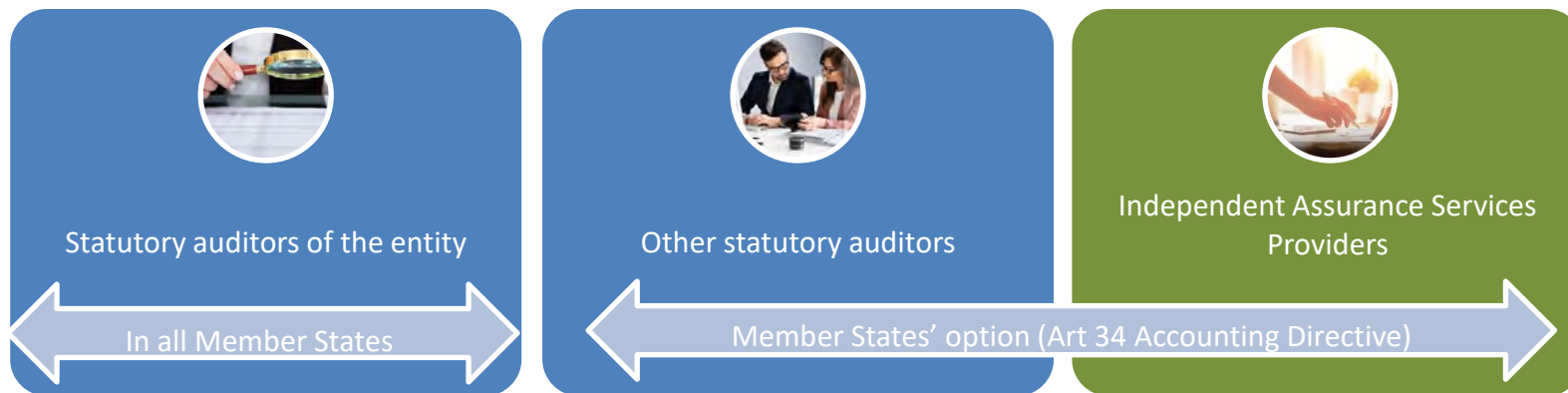
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# CSRD context – Assurance on Sustainability Statements

- As from financial years starting on or after 1 January 2024, large companies shall draw up **sustainability statements** in accordance with the European Sustainability Reporting Standards (ESRS)
- Sustainability statements need to be subject to an **assurance engagement** by **statutory auditors** and/or **other independent assurance services providers** depending on Member States' option



# Limited Assurance on Sustainability Statements

- The CSRD requires the adoption of **limited assurance standards** by the European Commission to clarify what is expected from “**practitioners**” when carrying out a limited assurance engagement regarding the sustainability information reported by 1 October 2026 at the latest
- Until the adoption of a standard by the European Commission, **Member States may adopt** national standards, requirements, or pronouncements on limited assurance
- The CEAOB developed **non-binding guidelines** regarding limited assurance with the aim to facilitate consistent practices during the gap period - published in September 2024 (CEAOB webpage [Link](#))
  - They facilitate a common understanding of **some of the key aspects** of the limited assurance engagement requirements introduced by the CSRD
  - They do not override or replace **national pronouncements** that might be in force
  - They do not constitute a standard and should be read in conjunction with any national rules applicable to assurance on sustainability reporting
- Member States, through their competent authorities or otherwise, **may recommend or require** the use of the CEAOB guidelines either alone or in addition to national pronouncements applicable
- The CEAOB guidelines may be used on a voluntary basis – e.g. for “voluntary” limited assurance engagements on sustainability statements



# What is covered in the CEAOB guidelines?

1. Context
2. Objectives of the CEAOB guidelines
3. Ethics, engagement acceptance and quality control

## I. General principles and approach to the limited assurance engagement

4. Objective of the limited assurance engagement
5. Material misstatement for practitioners in the context of a limited assurance engagement
6. Fraud and non-compliance with laws or regulations
7. Procedures targeted at risk identification and assessment
8. Process carried out and described by the entity
9. Responding to risks
10. Forward-looking information
11. Estimates
12. Communication between practitioners and with other professionals
13. Accumulation and consideration of identified misstatement(s)

## II - Disclosures provided to address Taxonomy Regulation Article 8

17. Obtaining an understanding of the processes for determining eligible and aligned activities
18. Presentation
19. Procedures on Article 8 disclosures

## III - Digitalisation of the information

Not required in 2025 - until adoption of the rules for digitalisation)

## IV - Limited assurance report

17. Format and content
18. Adapting the conclusion in the limited assurance report

## V - Other overarching provisions for the limited assurance engagement

19. Representation letter
20. Use of expert's work
21. Documentation
22. Subsequent events
23. Information accompanying the sustainability statements in financial statements and management reports
24. Specific provisions – information incorporated by reference
25. Specific provisions – group / consolidated information
26. Specific provisions – comparative information in the first year
27. Specific provisions – value chain information

## Appendix

1. Glossary of terms used in the guidelines with specific meanings
2. References to EU law - Reference to Delegated act on ESRS
3. Performance of the limited assurance engagement by several practitioners



# Zoom on some provisions

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# General principles

## Objective of the limited assurance engagement

- Obtain limited assurance that the information reported is free from material misstatement(s)
- Appropriate procedures to be performed by the “practitioner” to obtain this limited assurance
- Less extensive procedures than in a “reasonable assurance” engagement

## “Material misstatement(s)” for practitioners in the context of a limited assurance engagement

- Difference between a disclosure provided (or omitted) and the disclosure required
- Quantitative or qualitative and include omitted information - can arise from error or fraud
- “Materiality of misstatement(s)” in disclosures is linked but is not the same as the “double materiality” used to determine the matters to be reported in the sustainability statements
- Material if difference would reasonably be expected to influence the decisions taken by the intended users of the sustainability statements

# Approach to the Limited Assurance Engagement

## Procedures targeted at risk identification and assessment

- Practitioners should obtain an understanding of the entity, its environment, and its system of internal control relevant to the preparation of the sustainability statements
- Identification and assessment of the risks of material misstatements at disclosures level
- Determination of further procedures to be designed and performed

## Responding to risks

- Based on the procedures performed for **risk identification (and assessment)**, practitioners should design and perform **further procedures** to respond to those risks

**Additional content** provided eg. on **forward looking information** and on **estimates**

## TRANSITIONAL PROVISION

- **For the first year of the engagement**, due to time constraints, practitioners **may** perform, as an alternative, **an identification of disclosures** where material misstatements are likely to arise



# Entity's Materiality Assessment Process

- **Regarding the process put in place and described by the entity**, practitioners should:
  - Assess description of the process vs. process implemented
  - Design and perform procedures to determine whether the process is meeting the ESRS prescriptions
    - information which enables users to understand the entity's material impacts on people and environment and the material effects of sustainability matters on the development, performance and position of the entity
  - Taking into account the qualitative characteristics of the information defined by the ESRS
    - information (under the double materiality principle) shall be relevant and shall faithfully represent the substance of the phenomena, being complete, neutral and accurate
- If, based on the procedures performed and evidence obtained, a matter has come to the practitioners' attention to cause the practitioners to believe that the **outcome of the process** has not resulted in the disclosure of all material sustainability-related impacts, risks and opportunities in accordance with ESRS, the conclusion in the limited assurance report should reflect this situation



# Communication between Practitioners and with other Professionals

- **Communication between the practitioners and the statutory auditors** on matters of **connectivity** between the financial statements and the sustainability statements
- **Communication between key partners/leaders** if the same audit firm performs both engagements
- **Communication in group situation** between **the practitioner and other practitioner(s)** engaged to perform assurance work on material information for the consolidated sustainability statements
- **Other assurance work** on some parts of the sustainability information: the practitioners should consider using this work **to avoid duplication**
- When **two or more practitioners are engaged** for the assurance engagement, they should communicate and share the work (appendix 3 of the guidelines)
- Noting that practitioners should in all instances comply with the **applicable confidentiality and professional secrecy rules in force** when communicating with others



# Disclosures provided to address Taxonomy Regulation

## Article 8

- **Understand the process** of the entity for determining the activities (eligible/aligned)
- **Identify and assess risk of material misstatements**
- **Perform further procedures** on selected disclosures
- Evaluate the **presentation** of the disclosures

# Digitalisation of the information

- The EU digitalisation rules for the sustainability statements (for the tagging / mark-up) have not yet been adopted (by the European Commission) at the date of issuance of the CEAOB guidelines in September 2024
- **Until the adoption** of the digitalisation rules by delegated act, **no conclusion on the mark-up is expected in the limited assurance report**

# Limited Assurance Report - Content

## Conclusion in the limited assurance report

*Reference to Q70 - Frequently asked questions on the implementation of the EU corporate sustainability reporting rules – 7 August 2024 by the European Commission*

- Mentions that practitioners are expected to conclude that no matter has come to their attention to cause them to believe that the information included in the sustainability statement is not fairly presented, in all material respects, in accordance with ESRS and that it is not compliant with the legal requirements of Article 8 of the Taxonomy Regulation
- The expression of the conclusion should:
  - take into consideration the statements made by the entity, and
  - be adapted to the situation, **where material misstatements are identified**

**OPTIONAL** - If deemed relevant by the practitioners:

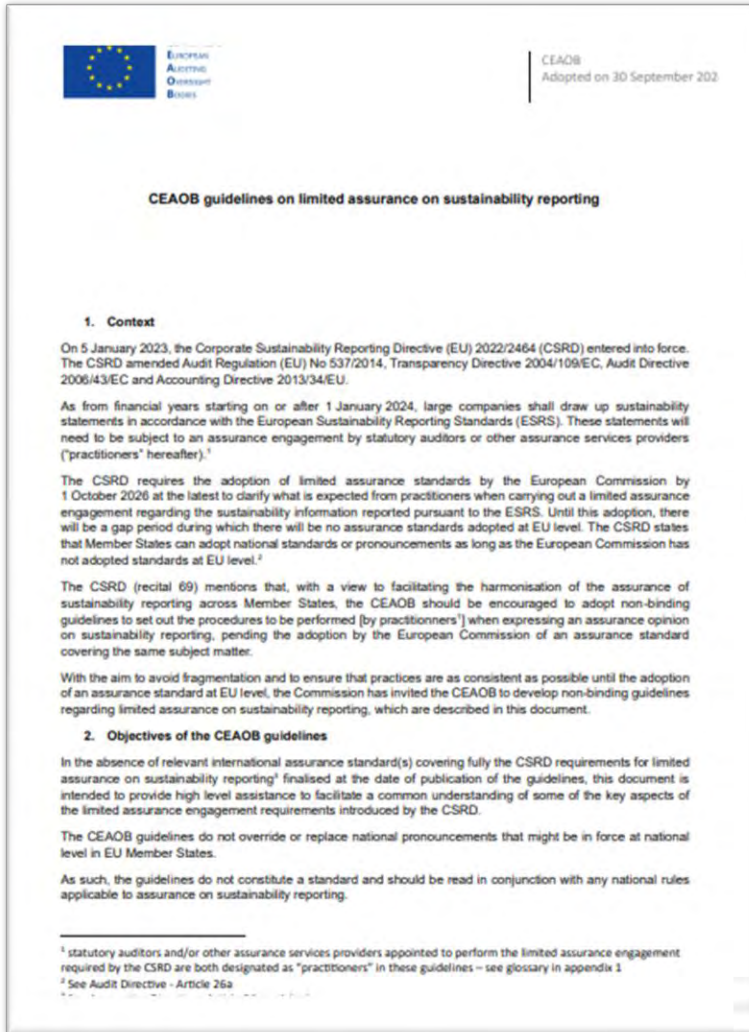
- the report may include (an) **emphasis of matters paragraph(s)** where practitioners wish to draw the attention of the users to a matter described in the sustainability statements
- the report may include a description of **key assurance matters** addressed during the limited assurance engagement, on which practitioners placed specific attention

# Other Overarching Provisions

- **Comparative information**
  - **TRANSITIONAL:** For the first year, there is no requirement that practitioners perform procedures on comparative information
- **Value chain information**
  - The level and extent of procedures to be designed and performed on value chain information depends on the circumstances of the engagement and the practitioners' assessment of the risks of material misstatements
  - **TRANSITIONAL:** Various transitional provisions are embedded in the ESRS, limiting value chain information required to be reported in the first years of implementation of the ESRS
- **Incorporation by reference**
  - Assurance already obtained on other documents : avoid duplication
- **Other provisions** not covered during this presentation
  - All of relevance - described in the guidelines



# For more information:



**Internet access – link:**  
[CEAOB guidelines on limited assurance on sustainability reporting](#)