

CEAOB non-binding guidelines on limited assurance on sustainability reporting

DRAFT

1. Context

On 5 January 2023, the Corporate Sustainability Reporting 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.

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). These statements will need to be subject to an assurance engagement by statutory auditors or other assurance services providers.¹

The CSRD requires the adoption of limited assurance standards by the European Commission by 1 October 2026 at the latest to clarify what is expected from practitioners when carrying out a limited assurance engagement regarding the sustainability information reported pursuant to the ESRS.

Until this adoption, there will be a gap period during which there will be no assurance standards adopted at EU level. The CSRD states that Member States can adopt national standards or pronouncement as long as the European Commission has not adopted standards at EU level.²

The CSRD (recital 69) mentions that, with a view to facilitating the harmonisation of the assurance of sustainability reporting across Member States, the CEOAB 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 European Commission of an assurance standard covering the same subject matter.

With the aim to avoid fragmentation and to ensure that practices are as consistent as possible until the adoption of an assurance standard at EU level, the Commission has invited the CEOAB to develop non-binding guidelines regarding limited assurance on sustainability reporting, which are described in this document.

2. Objectives of the CEOAB guidelines

In the absence of relevant international assurance standard(s) covering fully the CSRD requirements for limited assurance on sustainability reporting,³ available at the date of publication of the guidelines, this document is intended to provide high level assistance to facilitate a common understanding of some of the key aspects of the limited assurance engagement requirements introduced by the CSRD.

The CEOAB guidelines are non-binding and do not override or replace national pronouncements that might be in force at national level in EU Member States. They may be used where relevant to complement national pronouncements.

As such, the guidelines do not constitute a standard and should be read in conjunction with any national rules applicable to assurance on sustainability reporting.

Member States' competent authorities may recommend or impose the use of the guidelines in full, or in addition to national pronouncements, for the sake of harmonisation of limited assurance practices at EU level.

¹ statutory auditors and/or other assurance services providers appointed to perform the limited assurance engagement required by the CSRD are both designated as "practitioners" in these guidelines– see glossary in appendix 1

² see Audit Directive - Article 26a

³ see Accounting Directive - Article 34 par 1 (aa)

3. Ethics, engagement acceptance and quality control

The guidelines cover some, but not all aspects of the procedures required in a limited assurance engagement and are not intended to be exhaustive.

They do not, in particular, address ethical provisions. All practitioners are required to comply with the relevant ethical provisions which are described in the Audit Directive and Audit Regulation,⁴ and with any relevant national provisions. In addition, the provisions of the Audit Directive⁵ regarding independence, as transposed in national laws, apply to limited assurance engagements.

The provisions governing acceptance of the engagement are not covered by the guidelines either. The content of the engagement letter prepared by the practitioners to present the practical organisation of the engagement is not specified in the guidelines.

Practitioners are subject to requirements on quality control procedures and mechanisms⁶ and are thus required to put in place a system of quality control covering limited assurance engagements.

I. General principles and approach

The CEAOB invites practitioners to adopt a common approach when performing limited assurance engagements on sustainability reporting, taking into account the provisions of the ESRS.

This common approach encompasses the principles described hereafter.

4. Objective of the limited assurance engagement

The work to be performed for the limited assurance engagement supports the practitioners' conclusion to be expressed on the sustainability reporting prepared by the entity. In a limited assurance engagement, practitioners perform less extensive procedures than in a reasonable assurance engagement: the amount of work is expected to be less than for a reasonable assurance engagement that would be performed in the same circumstances.⁷

Practitioners shall obtain limited assurance that the information reported by the entity is free from material misstatement(s). Appropriate procedures are to be designed and performed by the practitioners to provide this limited assurance. Practitioners are required to perform procedures that enable them to conclude on the presentation of the sustainability statements with regards to the applicable legal provisions introduced by the CSRD and the relevant reporting frameworks mandated by EU laws and regulations.⁸

5. Material misstatement for practitioners in the context of an assurance engagement

A misstatement is a difference between a disclosure provided (or omitted) and the appropriate disclosure required by the reporting framework (here the ESRS, and the taxonomy reference framework).⁹ Misstatements can be quantitative or qualitative and include omitted information. Misstatements can arise from error or fraud.

Practitioners may accept, in the disclosures, misstatements that, individually or in aggregate, are not material, if, according to the practitioners' professional judgement, these misstatements would reasonably be expected not to influence the decisions taken by the intended users of the sustainability statements.

⁴ For assurance services providers, those provisions are referred to in Article 34.4 (d) of the Accounting Directive

⁵ Audit Directive, Article 22 and following articles

⁶ see Audit Directive (Article 24a and Article 24b) and Accounting Directive Article 34.4

⁷ see recital 60 of the CSRD "... *The amount of work in a reasonable assurance engagement entails extensive procedures including consideration of internal controls of the reporting undertaking and substantive testing, and is therefore significantly greater than in a limited assurance engagement.*"

⁸ ESRS, Taxonomy reference framework and digitalization rules.

⁹ see Glossary for the references to ESRS and Taxonomy reference framework

The materiality of a misstatement in a disclosure is linked but is not the same as the “double materiality” to be used by the entity in the preparation of the sustainability statements in accordance with the ESRS, to determine the matters to be reported on.

Materiality is relevant for both quantitative and qualitative disclosures, considering the potential impact of the misstatement(s) on the intended users of the information.

6. Fraud and non-compliance with laws or regulations

Practitioners should remain alert to the risk of fraud and instances of non-compliance with laws and regulations throughout the limited assurance engagement. Practitioners should communicate irregularities detected during the course of assurance engagements performed for public interest entities to the entity and, if the entity does not investigate the matter, to authorities designated by the Member State as responsible for investigating such irregularities.¹⁰ Non-compliance with laws and regulations connected to the subjects examined during the sustainability assurance engagement falls within this category.

7. Procedures targeted at risk identification and assessment

Practitioners should obtain an understanding of the entity, its environment,¹¹ and its system of internal control relevant to the preparation of the sustainability statements. This understanding should be sufficient to provide the practitioners with the ability to identify and assess the disclosures where material misstatements are likely to arise, thus providing a foundation for determination of further procedures to be designed and performed to respond to risks.

To obtain this understanding, practitioners may use, for instance, some or all of the following techniques:

- inquiries, requests for information from management and other individuals within the entity which may provide the practitioners with different perspectives;
- analytical procedures, which may, for instance, be used to identify unusual items;
- physical observations and inspections, which may enable practitioners to corroborate or contradict information obtained from management or other individuals.

In identifying the risk of material misstatement, specific attention should be placed on disclosures that are likely to be most important to the information needs of intended users and on whether the disclosures meet the qualitative characteristics of information defined by the ESRS, including relevance and faithful representation.

8. Process carried out and described by the entity

In order to be able to express their conclusion, practitioners should place particular emphasis on the process put in place by the entity to determine material matters for disclosure in the sustainability statements. Procedures that should be performed for a limited assurance engagement encompass obtaining an understanding of the process carried out by the entity to identify and determine information to be reported in the sustainability statements based on the double materiality principle.¹²

Practitioners should assess whether the description of the process provided in the sustainability statements is consistent with the process implemented and should design and perform procedures to determine whether the process is meeting the prescriptions of the ESRS.¹³ In designing those procedures, practitioners should take into account the qualitative characteristics of the information as per the ESRS¹⁴ that require that the information (under the double materiality principle) should be relevant and should faithfully represent the substance of the phenomena, being complete, neutral and accurate.

¹⁰ Audit Directive Article 25d, referring to Audit Regulation Article 7 – see also Accounting Directive Article 34.4.h).

¹¹ Including relevant laws and regulations

¹² Defined in ESRS 1 Chapter 3

¹³ ESRS1 chapter 3 and ESRS 2 IRO1 and ESRS E1, E2, E3, E4 E5, G1 (see appendix C of ESRS 2), and non-binding guidance on materiality assessment issued by EFRAG is available to facilitate the implementation

¹⁴ ref ESRS 1 section 3.1

If the practitioners are not able to obtain sufficient evidence or obtain evidence that the process has not resulted in the identification of material impacts, risks and opportunities related to sustainability matters for which disclosures are required, the conclusion in the assurance report should reflect this situation and practitioners should report about the (potential) material misstatement of the information (see paragraph 18).

9. Responding to risks

Based on the procedures performed for risk identification and assessment, practitioners should design and perform further procedures focused on the disclosures where material misstatements are likely to arise.

Procedures to respond to fraud risk and to suspected or actual instances of non-compliance with laws and regulations should also be performed.

Examples of procedures and techniques that may be used for these procedures in a limited assurance engagement include:

- inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry, on a standalone basis or in combination,
- substantive procedures, including random or targeted sampling for tests of details, depending on the type of information and population.

Tests of controls are not required but may be performed if deemed effective by the practitioners to collect evidence in the circumstances.

The nature, timing and extent of procedures to be designed and performed by the practitioners are a matter of professional judgment and should allow them to conclude with limited assurance regarding the absence (or not) of material misstatements.

Procedures should be designed and performed by the practitioners to obtain sufficient appropriate evidence on which to base the limited assurance report. Samples in a limited assurance engagement are ordinarily less extensive than those that would be needed for a reasonable assurance engagement¹⁵ under the same circumstances.

10. Forward-looking information

Information reported according to the ESRS includes impacts, risks and opportunities, and, when those are in place, the description of relevant targets and action plans. These types of information may encompass a forward-looking dimension. Practitioners should focus on whether the information provides the actual targets and plans of the entity when those are in place.

Practitioners are not expected to provide a guarantee that the forward-looking information will play out as disclosed by the entity, but they should remain critical with regards to forward-looking information provided and the underlying assumptions used, if any, where material misstatements are likely to arise.

If forward-looking information identified during the procedures targeted at risk identification and assessment seem unreasonable, practitioners should further assess the relevant use of the qualitative characteristics of the information¹⁶ of the ESRS and evaluate the implications for their conclusion in the assurance report (see paragraph 18).

¹⁵ for instance a statutory audit of financial statements is based on a reasonable assurance engagement

¹⁶ see e.g. ESRS 1 Appendix B QC 7 – “any aspirational sustainability information, for example targets and plans, shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.”

11. Estimates

Practitioners are not required to perform detailed procedures on the assumptions used for estimates but should remain critical with regards to assumptions for estimates where material misstatements are likely to arise.

If the practitioners identify during the procedures targeted at risk identification and assessment that the use of assumptions by the entity seems biased and/or the estimates seem unreasonable, practitioners should further assess the relevant use of the qualitative characteristics of the information¹⁷ and evaluate the implications for their conclusion in the assurance report (see paragraph 18).

12. Communication between practitioners and other professionals

Communication between practitioners and the statutory auditors of the entity (and/or subsidiaries) should take place, if not prohibited by laws or regulations, at appropriate points in time during the limited assurance engagement and before the signature of the limited assurance report and the signature of the audit report(s). The aim of the communication is for both parties to inform each other about the risks and misstatements identified on matters of connectivity between the financial statements and the sustainability statements.

Practitioners should communicate with the statutory auditor(s) of the entity (and/or subsidiaries) to the extent necessary to evaluate the consistency of the information provided in the sustainability statements with the information relating to relevant matters disclosed in the financial statements.

The practitioners and the statutory auditors involved in the communication remain fully responsible for the conclusions in their respective engagements taking also into account that the skills and competencies required for the respective engagements are different. If the statutory audit and the assurance engagement are performed by the same audit firm, there should be communication between the key partners/leaders of both engagements, if those are different individuals.

Sustainability statements may include information for entities which belong to a group. In those situations, there should be communication between the practitioner and other practitioner(s) engaged to perform procedures or assurance work on material information of entities which the practitioner has determined to be relevant for the consolidated sustainability statements. This should also apply to communication between team leaders in a situation where the same firm is involved in various entities in the same group.

When the entity has mandated a third party (other than the practitioners of the assurance engagement for the entity) to carry out assurance work on some parts of the sustainability information, the practitioners should consider using this work depending on their assessment of the objectivity or independence of the third party and of the work performed, to avoid duplication in carrying it out again.

When two or more practitioners are engaged for the same assurance engagement, they should communicate and share the work according to provisions detailed in appendix 3.

Practitioners should in all instances comply with the applicable confidentiality and professional secrecy rules when communicating with others and bear in mind that communication with others does not reduce or change the practitioners' responsibilities for the limited assurance engagement and the assurance report.

13. Accumulation and consideration of identified misstatement(s)

In the context of sustainability reporting, misstatements identified during the limited assurance engagement often cannot be accumulated (into a single 'total' misstatement amount) to determine their effect in aggregate, particularly for qualitative information, given the variety of types of information.

¹⁷ see e.g. ESRS 1 Appendix B QC 9 – “clear emphasis on possible limitations and associated uncertainty”.

Before concluding in their report, practitioners should thus consider all the misstatements identified to determine whether:

- there are one or more material misstatements; or
- when all are considered, they have a material impact, considering their severity, the number of misstatements and their influence on the intended users of the sustainability statements.

II – Disclosures provided to address Taxonomy Regulation Article 8

The limited assurance engagement covers the disclosures to be reported in the sustainability statements to comply with the provisions of Article 8 of the Taxonomy regulation (and the related taxonomy reference framework).¹⁸ Those disclosures are referred to hereafter as “Article 8 disclosures”.

14. Obtaining an understanding of the processes for determining eligible and aligned activities

As per their understanding of the entity, practitioners should obtain an understanding of processes that the entity has implemented to identify its activities, their nature (eligible/aligned) and prepare the disclosures required by Article 8.

In particular, practitioners should:

- assess whether these processes cover all of the economic activities, including the economic activities of the entity and those entities included within the scope of consolidation;
- evaluate whether these processes are appropriate to comply with the requirements of the taxonomy reference framework in terms of preparation and formal presentation;
- evaluate whether these processes are designed and implemented to ensure that the data used to prepare the key performance indicators (KPIs) reconcile with the accounting information underlying these disclosures.

15. Presentation

Practitioners should evaluate whether the disclosures are presented in accordance with the requirements of both the ESRS and of the taxonomy reference framework, namely:

- disclosures are provided for each of the environmental objectives defined in the taxonomy reference framework;
- disclosures are included in a clearly identifiable part of the environmental section of the sustainability statements; and
- disclosures comply with the rules set out in the taxonomy reference framework.

16. Testing of Article 8 disclosures

Based on the information gathered when obtaining an understanding of the entity, practitioners should identify Article 8 disclosures where material misstatements are likely to arise and perform appropriate further procedures.

This identification of disclosures to be specifically evaluated involves consideration of the likelihood of occurrence and the magnitude of any misstatement, covering inaccuracies, deficiencies or omissions in the disclosures.

¹⁸ ESRS1 section 8.3 paragraph 113

For each Article 8 disclosure selected, the practitioners should:

- assess whether the disclosure meets the requirements of the taxonomy reference framework, including the format in which these activities are presented;
- assess whether the eligible economic activities meet the cumulative conditions set out in the taxonomy reference framework to qualify as aligned and, in particular, whether the technical criteria defined in the taxonomy reference framework are met;
- assess whether the selected Key Performance Indicators and the accompanying disclosures have been defined and calculated in accordance with the taxonomy reference framework;
- reconcile the accounting data underlying the information selected to the financial statements and, where necessary, communicate with the statutory auditors in this regard;
- evaluate whether the disclosures are consistent with the other information reported according to the ESRS (E1, E2, E3, E4 and E5).

III - Digitalisation of the information

The EU digitalisation rules for sustainability statements are under development at the date of issuance of the guidelines. The guidelines thus do not cover the requirements introduced by the CSRD related to the electronic format of the information and the compliance of the sustainability statements with the requirements to mark up the information.

IV - Limited assurance report

17. Format and content

The practitioner's assurance report should be in writing and should be signed and dated by the natural person responsible for carrying out the engagement in a personal capacity, or on behalf of the audit firm or the assurance services provider appointed.

It should be written clearly and understandable by the intended users.

(1) The assurance report should state the following information, specific to the entity:

- the entity subject to the limited assurance engagement;
- whether the sustainability statements are consolidated or not;
- the date and period the sustainability statements cover;
- that the ESRS are the applicable reporting framework for the preparation.

(2) The assurance report should state the following information regarding the limited assurance engagement performed:

- a description of the scope of the limited assurance engagement,
- an identification of the standard(s) and/or pronouncement(s) in accordance to which the limited engagement was conducted.

(3) The assurance report should state the practitioner's conclusions on whether or not:

- the sustainability statements are prepared in accordance with the relevant legal requirements and the ESRS (this includes the entity's process and the information in the sustainability statements),
- the information provided to address Article 8 of the Taxonomy Regulation is prepared in accordance with the EU Regulation,
- the mark-up of the sustainability statements is prepared in accordance with the digitalisation requirements.¹⁹

Compliance with the ESRS and faithful representation

- *It shall be noted that compliance with legal provisions and with the ESRS cover compliance with the provisions²⁰ requiring entities to report information necessary to understand the (entity's) impacts on sustainability matters and information necessary to understand how sustainability matters affect the (entity's) development, performance and position.*
- *If the entity's materiality assessment process is not appropriately designed, the entity may provide incomplete or irrelevant information (with material impacts, risks and opportunities not being disclosed)²¹ which would mean that the characteristic(s) of "relevance" and/or "faithful representation", which encompasses completeness,²² would not be complied with.*

Being a limited assurance engagement, the conclusions may be expressed by the practitioners through a negative form of expression by stating that no matter has come to their attention to cause them to believe that the sustainability statements:

- are not prepared, in all material respects, in accordance with the applicable legal provisions and the ESRS (or otherwise if this is not the case);
- and are not prepared, in all material respects, in accordance with the reporting requirements of Article 8 of the Taxonomy Regulation (or otherwise if this is not the case).²³

(4) The assurance report should furthermore include:

- a summary of the procedures performed by the practitioners.

(5) The assurance report may in addition include, if deemed relevant by the practitioners:

- emphasis of matters paragraph(s) (optional): emphasis of matters paragraphs may be used where practitioners wish to draw the attention of the users of the report to a matter described in the sustainability statements (e.g. clarification provided by the entity, limitation faced by the entity, or otherwise) and which is key for their understanding of the information.
- a description of key (assurance) matters addressed by the practitioners during the limited assurance engagement (optional): the matters or disclosures on which practitioners placed specific attention during the engagement may be described in the report, with a reference to the related location of the disclosure in the sustainability statements and a description of the work performed by the practitioners.

¹⁹ Not required at the date of publication of the guidelines as explained in section III above.

²⁰ See Accounting Directive Article 19a paragraph 1, or Article 29a paragraph 1 for group situations.

²¹ See EFRAG Materiality Assessment Guidance –paragraph 25

²² See ESRS1 Appendix B - QC5 "*Faithful representation requires information to be (i) complete (...)*".

²³ until the adoption of the digitalisation rules by delegated act, no conclusion on the mark-up is expected in 2025

18. Different types of conclusions

The conclusion of the practitioners should reflect the outcomes of the assurance engagement.

a) No material misstatements identified: The practitioners should express a so called “unmodified” limited assurance conclusion when, based on the work they have performed and, on the evidence obtained, they have not become aware of any matter that causes them to believe that the sustainability statements are not prepared, in all material respects, as required by the ESRS.

b) Material misstatement(s) identified: When, according to the practitioners’ judgment, the sustainability statements contain one or more material misstatement(s), the practitioners should express a qualified conclusion if the extent of the misstatement is not pervasive, or an adverse conclusion otherwise. The practitioners should describe the material misstatement(s) identified in the basis for conclusion of the report.

c) Limitation(s) identified: When the practitioners face a limitation in the scope of the work (and are not able to determine whether or not a material misstatement may have been discovered had this limitation not occurred), the practitioners should express a qualified conclusion if the potential extent of the misstatement is not pervasive, or a disclaimer of conclusion otherwise. The practitioners should explain such limitation(s) in the basis for conclusion of the report.

V - Other overarching provisions for the limited assurance engagement

19. Representation letter

Practitioners should request a representation letter signed by at least one responsible member of the entity’s senior management or those charged with governance, which includes confirmation of their responsibility for the content of the sustainability statements.

20. Use of experts’ work

When practitioners intend to use the work of an expert, they should evaluate whether the expert possesses the necessary competence, capability, and independence or objectivity before considering the outcomes of the work and/or the conclusions described in the expert’s report.

21. Documentation

Practitioners should provide a record of the basis for the assurance report through appropriate documentation. The documentation prepared and retained should be sufficient to enable an experienced practitioner having no previous connection with the assurance engagement to understand the work performed, the evidence obtained, and conclusions reached.²⁴

22. Subsequent events

Practitioners should consider the effect of subsequent events occurring between the end of the reporting period and the date of the assurance report that may influence the sustainability statements and the assurance report.

Practitioners are not required to perform any procedures regarding the sustainability information after the date of their report. However, if they become aware of a fact that, had it been known to them at the date of their report, could have led them to amend their conclusions, they should discuss the matter with management and/or those charged with governance and/or take appropriate action as circumstances dictate.

23. Information accompanying the sustainability statements

Practitioners should read the financial statements and the management report with a view to identifying inconsistencies with the sustainability statements, including disclosures provided pursuant to Article 8 of the Taxonomy Regulation. In case of material inconsistencies, practitioners should discuss with the management of

²⁴ See also Audit Directive Article 27a

the entity and where appropriate, those charged with governance and take appropriate action if material inconsistencies are not addressed. Communication with statutory auditors is also applicable in this situation (see paragraph 12).

24. Specific provisions – information incorporated by reference

When information reported by the entity pursuant to the ESRS, and thus, under the scope of the limited assurance engagement, is incorporated by reference subject to the conditions described in the ESRS,²⁵ practitioners should communicate with the provider(s) of the assurance report or obtain the assurance report covering the document (and/or disclosures) the sustainability statements refers to and in which the disclosures incorporated by reference are located. Obtaining the assurance report, when available, or communicating with the assurance provider in charge of that assurance is a means for practitioners to collect appropriate evidence and to avoid duplication of procedures if the assurance provider's work and the conclusions are assessed as relevant and reliable.

25. Specific provisions – group / consolidated information

Where the entity prepares consolidated sustainability statements at group level, practitioners should check in particular that the entity has carried out the assessment of material impacts, risks and opportunities for the entire scope of consolidated entities to be covered as per the ESRS and has provided information at the consolidated level.

26. Specific provisions – comparative information

The ESRS does not mandate comparative information for the first year of preparation of sustainability statements under the ESRS.²⁶ As such, there is no requirement that practitioners perform procedures on comparative information (that are provided to compare the information of the reporting period with the previous period and are not mandated for the first year).

In the absence of a specific request from the entity to the practitioners, if such information is provided in the sustainability statements on a voluntary basis, practitioners should make clear in the assurance report that the scope of the limited assurance engagement does not encompass comparative information related to previous years or periods.

27. Specific provisions – value chain information

The ESRS require the inclusion of value chain information in certain instances.²⁷ This information is included in the sustainability statements which are subject to the limited assurance engagement. Depending on the specific circumstances and on the risk of material misstatements, practitioners should design and perform further procedures where appropriate.

Similarly to what is the case for entity-related information, practitioners may evaluate the systems put in place by the entity to obtain and report value chain information and their reliability. Obtaining external evidence or assurance reports are not necessarily required: 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 risk of material misstatements.

Various transitional provisions are embedded in the ESRS regarding value chain information, which may mean that limited value chain information is required to be reported in the first years of implementation of the ESRS.

²⁵ Amongst those conditions, the information incorporated by reference should be "subject to at least the same level of assurance as the sustainability statements" (reference ESRS1 paragraph 120 d)

²⁶ ESRS1 section 10.3 paragraph 136

²⁷ ESRS1 section 5.1

Appendix 1

Glossary of terms used in the guidelines with specific meanings

Assurance engagement(s) – as per the CSRD / Accounting Directive Article 34.1 (aa), engagement based on which the opinion/conclusions of the practitioners is expressed. Assurance can be limited (Article 34.1.(aa)) or reasonable. The guidelines cover “limited assurance” engagements of sustainability reporting.

Article 8 disclosures – the limited assurance engagement covers the disclosures to be reported in the sustainability statements to comply with the provisions of Article 8 of the Taxonomy Regulation (and the related taxonomy reference framework).²⁸ Those disclosures are referred to in the guidelines as “Article 8 disclosures”.

Conclusion(s) – the opinions required by the CSRD / Accounting Directive (Article 34.1 aa) and expressed by the practitioners in their limited assurance report, is referred to as “conclusion(s)” or “opinion” in the guidelines.

Entity – undertaking for which the sustainability statements are subject to the assurance engagement. The entity may have subsidiaries/entities which are in the scope of their consolidated financial statements, and thus in the scope of the consolidated sustainability statements.²⁹ “Entity” in the context of an engagement on sustainability statements provided at group level, should be read as encompassing all the entities in the remit of the disclosure requirements of the ESRS.

ESRS – European Sustainability Reporting Standards adopted by the European Commission by delegated act, which specify the information that an undertaking shall disclose (in accordance with Accounting Directive 2013/34/EU as amended by the CSRD) about its material impacts, risks and opportunities in relation to environmental, social and governance sustainability matters.

ESEF – European Single Electronic Format for reporting. The requirements to mark up the sustainability information and the procedures to be performed by the practitioners are not dealt with in the guidelines. The details of the requirements applicable have not been adopted at the date of publication of the guidelines.

Practitioner(s) – statutory auditor(s) and/or independent assurance services provider(s) appointed to express an opinion as per the CSRD (see Accounting Directive Article 34.1(aa)). Practitioners must be qualified and registered in accordance with national requirements.

Pronouncements – any vehicle, document, rule, standard or guideline, the provisions of which are to be complied with by practitioners in providing limited assurance according to the Accounting Directive / CSRD in the absence of EU standards on limited assurance.

Procedures – term used to designate the various pieces of work expected from the practitioners in a limited assurance engagement, which may include but are not limited to inquiries, recalculations, verifications, tests, assessments, reconciliations, etc.

Sustainability statements / sustainability reporting – information prepared by the entity to comply with the provisions of the CSRD (e.g., Articles 19a, 29a, 29d Accounting Directive), subject to the assurance engagement. Sustainability reporting (which is the terminology used in Accounting Directive Article 34.1(aa) and sustainability statements (which is the terminology used in the ESRS) are used as synonyms in the guidelines.

Public Interest Entity or PIE – public interest entities are defined by EU law (Audit Directive, Article 2).

Taxonomy reference framework – this term is used in the guidelines to designate all the legal provisions defining how the information required by Article 8 of the Taxonomy Regulation EU 2020/852 should be prepared (including Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 including appendices).

²⁸ ESRS1 section 8.3 paragraph 113

²⁹ ESRS1 section 5.1 paragraph 62

Appendix 2

References to EU law

Accounting Directive: Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

Audit Directive: Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).

Audit Regulation: Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77)

Taxonomy Regulation: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13)

Transparency Directive: Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).

Reference to Delegated act on ESRS

Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability standards (OJ L 284, 22.12.2023, p.1) and any other future Delegated Regulation adopting ESRS.

Appendix 3

Performance of the engagement by several practitioners

1. Where the entity decides to engage more than one practitioner to perform the limited assurance engagement, the practitioners perform their engagement in accordance with the following principles.

Obtaining an understanding of the entity and its environment and assessment of the information obtained, performed individually

2. Before starting the work, each practitioner obtains an understanding of the entity and its environment individually and carries out his own assessment of the evidence obtained.

3. This individual assessment enables the practitioners to define together the procedures to be carried out and how these procedures are to be distributed between the practitioners.

Definition of the procedures to be carried out

4. Based on their individual understanding of the entity and its environment, the practitioners define together, in a concerted manner, the general approach to the work to be carried out.

5. At this stage, the practitioners compare their individual analyses and agree together on the procedures to be carried out.

Balanced distribution of the procedures to be carried out

6. The practitioners divide the work to be carried out between them, ensuring that this division is balanced.

7. The notion of "balanced distribution" is fundamental in the proper exercise of the joint engagement. It involves taking into account quantitative criteria such as the volume of hours of work, and qualitative criteria such as the experience or qualifications of the engagement team.

8. Dividing up the work does not mean that each practitioner works alone. In fact, throughout the course of the engagement, and in particular when the procedures relate to sustainability matters or important and/or complex sustainability information, the practitioners communicate, in particular to assess whether, in the light of the information obtained, the procedures initially planned are still appropriate.

Critical review of the procedures carried out by the other practitioner(s)

9. The work carried out by each practitioner is subject to a critical review by the other practitioner, known as a "cross review". This review enables the other practitioner to assess whether:

- the work carried out by the practitioner corresponds to what was decided and has made it possible to obtain sufficient and appropriate evidence on which to base the conclusion on the sustainability statements;
- the conclusions reached by the practitioner are relevant and consistent.

10. Based on the assessment of the work and conclusions of the other joint practitioner, each practitioner determines whether additional work is required.

Conclusions

11. The limited assurance report is drawn up jointly by the practitioners.

12. Where the practitioners have differing conclusions, they each state their respective conclusions in the limited assurance report.

Concerted communication with the entity's management and governance bodies, including, where appropriate, the audit committee

13. The practitioners communicate jointly and in a concerted manner with the entity's management and its governance bodies, whether this involves their conclusions on the sustainability information or any important information identified in the course of their work.

Appropriate documentation

14. Each practitioner puts together a file containing the documents that support the conclusions reached.

Cooperation

15. Joint assurance implies close cooperation between the practitioners, requiring them to discuss any important matters identified in the course of their respective work and to speak out together when a matter needs to be discussed with the entity's management or its governance bodies, including situations of disagreement between them, where these exist.