

Perspectives of the Challenges and Opportunities in Implementing and Assuring Sustainability Reporting in the EU

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**Disclaimer: The views expressed are my own and do not necessarily represent the views or positions of the CEAOB, or its members.*



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Agenda

- EU Regulatory Landscape – Sustainability Reporting
- Explore the challenges and opportunities in sustainability reporting within the EU



EU Regulatory Landscape - Sustainability Reporting

Sustainability assurance standards and the CSRD implementation



Overall requirements of Corporate Sustainability Reporting Directive (CSRD)

- Companies in scope will be required to report annually in their management report on:
 - environmental,
 - social
 - governance
 - and human rights matters

according to the EU mandatory standards, the European Sustainability Reporting Standards (ESRS)



Sustainability assurance standards and the CSRD

implementation Assurance engagements



- Sustainability statements need to be subject to an assurance engagement by statutory auditors - or other assurance services providers, depending on Member States options
- All those « auditors / practitioners » are subject to independence, training, registration, oversight provisions (ref Audit Directive and Regulation, as amended by the CSRD)



Sustainability assurance standards and the CSRD

Implementation

- The CSRD requires the adoption of **limited assurance standards** by the Commission **by 1 October 2026** at the latest regarding what expected from statutory auditors and other assurance services providers when carrying out an assurance engagement regarding the sustainability information reported pursuant to the ESRS.
- In the meantime, each Member State may decide to adopt their own assurance standards or pronouncements
- The CEAOB has published **non-binding guidelines** on limited assurance on sustainability reporting on 30th September 2024.



Sustainability assurance standards and the CSRD

implementation

CEAOB guidelines issued in September 2024



- Facilitate a common understanding of some of the key aspects of the **limited assurance engagement requirements** introduced by the CSRD
- Do not override or replace national pronouncements that might be in force at national level in EU Member States
- Do not constitute a standard and should be read in conjunction with any national rules applicable to assurance on sustainability reporting
- May be used for “voluntary” limited assurance engagements performed at the request of entities outside CSRD scope



Sustainability assurance standards and the CSRD

implementation Content of the 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 report
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

Appendixes

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



Sustainability assurance standards and the CSRD



Content of the limited assurance report

- To be written clearly and understandable by the intended users
- The **European Commission's CSRD FAQ** 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
 - should be adapted to the situation, where material misstatements are identified
- If deemed relevant: Emphasis of matters paragraphs – description of Key Assurance Matters



Sustainability assurance standards and the CSRD implementation



Assurance standard(s) on sustainability reporting

- CEAOB commented on the Exposure draft ISSA 5000 in December 2023
 - Dialogue with IAASB throughout the ISSA 5000 project
- IAASB finalized a new ISSA 5000 in September 2024
- The CEAOB has been asked by the European Commission for advice on the future EU standards on limited assurance

Timeline CSRD

- 1 October 2026 : standard adopted by the European Commission





Challenges and Opportunities - Sustainability Reporting in the EU

Challenges – Double Materiality Assessment Process

- Requires companies to assess and report both financial materiality and environmental/social materiality (impact of the company on the environment and society).
- Complexities arise in determining which issues are material from both perspectives, often requiring advanced expertise and stakeholder engagement:
 - ✓ *Taking into account the qualitative characteristics defined by ESRS: the information (under the double materiality principle) shall be relevant and shall faithfully represent the substance of the phenomena, being complete, neutral and accurate*
- If the outcome of the process has not resulted in the disclosure of material sustainability-related impacts, risks and opportunities in accordance with ESRS, the conclusion in the limited assurance report should reflect this situation

Challenges – Taxonomy Regulation (art 8)

- Companies must classify their economic activities based on the EU Taxonomy's six environmental objectives (e.g., climate change mitigation, circular economy).
- Significant challenges in:
 - Understanding the process for determining the activities
 - Gathering and aligning data from across supply chains to meet the taxonomy's requirements.
 - Evaluating the presentation of the disclosures
 - Assessing risk of material misstatements
 - Performing further procedures on selected disclosures



Challenges – Tagging/Digitalization & Quality Management

Tagging:

- Until the adoption of the digitalisation rules for the information by delegated act, no conclusion on the mark-up is expected in the limited assurance report

Quality Management:

- Practitioners are required to establish systems of quality control for sustainability reporting engagements, especially for limited assurance.



Sustainability reporting – Regulatory Inspection Challenges



Opportunities – Strengthened Regulatory Framework



The CSRD and ESRS provide a standardized approach, improving the comparability and reliability of sustainability data across the EU



A harmonized framework offers clarity for entities, auditors and investors



Opportunities – Enhanced Investor Confidence



High-quality sustainability reporting builds trust and confidence among investors, who increasingly value ESG performance as a measure of long-term resilience.



Transparent disclosures attract ESG-focused investments and improve access to capital.





**Thank you for
your
attention/Questi
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