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If you should require any further information then please do not hesitate to contact us. We will be please to help you.

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The review of CBAM reports in accordance with the applicable CBAM regulation (EU) 2023/956 in conjunction with any guidance documents of the European Commission (Taxation and Custom Union) consists of the strategic analysis and risk analysis, the preparation of a review plan, the execution of the review (including data review and inspection), the preparation of a review report and the independent review.

The auditors are authorised by the head of the certification body of TÜV NORD CERT GmbH ("Verification Body") according to their competence for the "activity" in European emissions trading.

## **1. STRATEGIC AND RISK ANALYSIS**

The strategic and risk analyses are carried out prior to the actual audit in order to ensure the feasibility of the commissioned verification and to define the focal points of the audit. The basis for this includes the following documents and information, some of which are provided by the authorized CBAM declarant to the reporting obligation:

- Type and volume of CBAM goods imported (including quantity and type of goods in accordance with Annex I (List of goods and greenhouse gases) of Regulation (EU) 2023/956).
- Current documentation on the monitoring methodology including emissions at installation level, emissions attributed to manufacturing processes and grey emissions associated with CBAM goods.
- EORI number and CBAM account number.
- Required materiality threshold.
- Results from the previous year's audit, if available.

The strategic analysis contains the usual tools, such as an analysis of strengths and weaknesses, taking into account all of the above input variables in order to identify all significant problems and concerns. The result of the strategic analysis, including the comments on the above-mentioned input variables, forms the basis for the risk analysis. In the risk analysis, the Verification Body assesses the probable risk of material misstatements in the CBAM declarant's / operators of the installation the third country CBAM report. To this end, the Verification Body identifies the inherent risk, the control risk and defines the resulting detection risk. Based on this analysis of the risks, the inspection body develops the verification approach and the inspection plan.

## **2. PREPARATION OF THE AUDIT PLAN**

Based on the results of the strategic analysis and risk analysis, an audit plan consisting of the audit programme, the test plan and the data sampling plan is drawn by the lead auditor. This can be done in one document or in separate documents.

- **The audit programme** regulates the type and scope of the inspection activities as well as the duration and manner of their execution.
- **The test plan** specifies the extent to which and the methods by which the control activities and the associated procedures are checked.
- **The data sampling plan** specifies to what extent and how data samples of the primary data on which the CBAM reports are based are collected.

### **3. VERIFICATION**

During the process of verification, the verification body checks in particular

- The data flow activities of embedded emissions calculations and the systems used for this purpose.
- The validity of the data used to determine the embedded emissions, including direct and indirect emissions.
- The completeness and accuracy of the goods imported and their allocation to production installations.
- the implementation of the monitoring system demonstrating the correct application of calculation methods according to the CBAM-Regulation.
- the suitability of the approved monitoring plan to reduce inherent and control risks

The Verification Body uses various audit methods and approaches for the audit. Analytical procedures can be used to check the plausibility and completeness of the reported data. If anomalies are identified, the inspection body asks the authorized CBAM-declarant for explanations supported by evidence and assesses their impact on the inspection plan.

#### **3.1. On-site inspection**

The Verification Body carries out a visit to the operator’s installation in third countries where the concerned CBAM goods were produced to check the functioning of monitoring systems, conduct interviews and check sufficient information and supporting documents.

In doing so, the Verification Body follows the previously developed inspection plan so that the path from the primary data to the preparation of the CBAM report can be traced during the inspection. Adjustments to the test plan based on the situation found are explicitly possible.

As a rule, authorisation from the competent authority is required if physical site inspections are not carried out.

#### **3.2. Data check**

To check the data, the Verification Body uses various methods to verify the accuracy and completeness of the CBAM-related data. These include:

- Tracing of report data for relevant manufacturing processes and production routes

- Cross-checking report data on relevant emission sources, material flows and manufacturing processes
- Systematic comparisons
- Control of limit values for corresponding data
- Independent recalculations

At least the following aspects are checked:

- The CBAM declarant's monitoring activities to determine which goods fall under CBAM scope and to ensure that data on these goods is recorded in the report.
- The limits of the declarant's monitoring, including all relevant production routes and installations.
- Completeness of embedded emissions calculations for all imported CBAM goods.
- Consistency between the reported quantities of goods and the evidence of their import and embedded emissions.
- Consistency of reported aggregated data with primary data sources, including customs declarations and emission calculation records.
- Reliability and accuracy of data, especially with regard to calculation methodologies.
- Correct allocation of embedded emissions to specific goods and production processes.
- The frequency of occurrence of data gaps and the control measures implemented to avoid these data gaps.

### **3.3. Evaluation of the CBAM report / statement on the data / correction phase**

The Verification Body shall inform the CBAM-declarant /operator of all non-conformities and incorrect information found.

The Verification Body documents all misstatements and non-conformities in its inspection documents and makes these available to CBAM-declarant / operator to initiate appropriate corrections.

A verification report is issued on the basis of the inspection carried out.

### **3.4. Conclusions from the auditor's findings**

As a result of all inspection activities, the Verification Body finally assesses:

- the declarant's final data, including data adjusted during the audit, to ensure the correct calculation of embedded emissions.
- whether the applied procedures for embedded emissions calculations have been properly implemented to fulfil the requirements of the CBAM Regulation
- whether the level of assurance obtained and the amount of evidence collected provides reasonable assurance regarding the audit opinion that the report is free from material misstatement with respect to embedded emissions and CBAM obligations.
- whether suggestions for improvements to the declarant's risk assessment, data flow and control activities, and procedures for monitoring and reporting embedded emissions should be included in the audit report.

The preliminary test report is drawn up based on the test carried out.

### **3.5. Independent review**

The verification report and the associated documents are subjected to an independent review by a lead EU ETS auditor who has not performed any of the aforementioned verification activities. All audit activities, the verification report and the internal verification documentation are checked.

If changes to the test report are required as a result of the independent review, these changes are made by the lead EU ETS auditor and checked for correctness by the independent verifier.

## **4. VERIFICATION REPORT**

The Verification Body summarises its inspection method, its findings and its inspection report in a verification report addressed to the CBAM declarant, which the declarant submits to the competent authority together with the annual (definitive phase) CBAM declaration.

All aspects relevant to the work carried out are listed in this report. The CBAM report may only be considered satisfactory if the Verification Body can determine with reasonable assurance that the verified information and data are free from material misstatement in accordance with the requirements of the CBAM Regulation.