

Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance* *Engagements: Cover Note*

Objective of the Discussion

The objective of the **discussion with the IAASB** in September 2022 is to obtain the Board's input on the following:

- (a) The draft Project Proposal for the Development of an Overarching Standard for Assurance on Sustainability Reporting (Project Proposal);
- (b) The overall structure for an overarching standard for assurance on sustainability reporting¹
- (c) The Sustainability Assurance Working Group's (SAWG) initial proposals regarding the defined terms for the overarching standard for assurance on sustainability reporting; and
- (d) The SAWG's approach to developing the requirements for the overarching standard for assurance on sustainability reporting

Time permitting, the SAWG intends on obtaining the Board's approval of the Project Proposal in September 2022.

The Board's input in September 2022 will be used by the SAWG in further developing the overarching standard for assurance on sustainability reporting, and presenting proposed requirements and application material for the priority areas to the Board in December 2022.

Introduction

Activities Since the Last IAASB Discussion

1. Given the support from the Board in June 2022, the SAWG has continued to progress its work on developing an overarching standard for assurance on sustainability reporting, as well as a project proposal. The SAWG and IAASB Staff have also continued engagement with key stakeholders, including, among others, the European Commission, the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), the United States Securities Exchange Commission (SEC), the International Forum of Independent Audit Regulators (IFIAR), the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), International Corporate Governance Network (ICGN), Accountancy Europe, the International Accounting Standards Board (IASB) and the Forum of Firms.
2. In July 2022, the IAASB [submitted a response](#) to the ISSB on its [exposure drafts on sustainability- and climate-related disclosures](#). The letter was prepared based on input from the ISSB Liaison Working Group,¹ IAASB Staff, and subject-matter experts.
3. Also in July 2022, the FSB added the work of the IAASB to its [Roadmap for Addressing Financial Risks from Climate Change](#). The roadmap addresses the need for coordinated action internationally to address climate-related financial risks. In the 2022 roadmap, the FSB has indicated the IAASB's

¹ Members of the ISSB Liaison Working Group are Josephine Jackson, Diane Larsen and Yvette Lange

commitment to developing global standards for assurance on sustainability reporting, as a key component of this action. The 2022 roadmap is an update to the 2021 Roadmap, which was endorsed by G20 Finance Ministers and Central Bank Governors and subsequently by G20 Leaders at the Rome Summit.

Structure of the IAASB September 2022 Discussion and Overview of Accompanying Papers

4. As highlighted above, the objective of the discussion with the IAASB in September 2022 is to obtain the Board’s input on the following:
 - (a) The draft Project Proposal (and time permitting, approval of the Project Proposal).
 - (b) The overall structure for an overarching standard for assurance on sustainability reporting.
 - (c) The initial proposals regarding the defined terms.
 - (d) The approach to developing the requirements for an overarching standard for assurance on sustainability reporting.

5. The order of discussion, related questions and accompanying papers are as follows:

Please note that a traditional Issues Paper has not been prepared for this topic. Instead, issues have been explained in the respective accompanying papers, together with the questions, unless otherwise indicated in the table below.

Topic	Agenda Paper	Explanation of Issues and Related Questions	Questions for the IAASB
Title of the standard	Agenda Item 4	In this cover note	Question 1
Project proposal	Agenda Item 4–A	In this cover note	Questions 2 and 3
Overall structure	Agenda Item 4–B	In Agenda Item 4–B	Question 4
Defined terms	Agenda Item 4–C	In Agenda Item 4–C	Question 5
Requirements:			
<ul style="list-style-type: none"> • Overview of Approach 	Agenda Item 4–D	In Agenda Item 4–D	Questions 6–7
<ul style="list-style-type: none"> • Draft Requirements Parts 1–3 	Agenda Item 4–D.1	In Agenda Item 4–D.1	Questions 8–10

Title of Proposed Overarching Standard for Assurance on Sustainability Reporting

6. In June 2022, the Board on balance supported developing the standard for assurance on sustainability reporting using the approach of a “stand-alone” standard that is consistent with ISAE 3000 (Revised),² recognizing the need to be more innovative where needed.

² International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

7. The IAASB leadership considered the appropriate numbering and description for the standard and concluded that International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, would be the most appropriate for the following reasons:
 - (a) Establishing a new suite (i.e., new numbering and description) more clearly identifies the standards as “sustainability,” which better promotes the standards and may assist jurisdictions in referring to the standards in law and regulation (i.e., they could refer to “International Standards on Sustainability Assurance” generally, instead of needing to refer to specific standards).
 - (b) Using the same numbering and sequence as the ISAEs could create confusion on the relationship between the new standard and ISAE 3000 (Revised) and complexities for finding appropriate numbering for other sustainability-related standards developed in the future.
 - (c) Currently, all the numbering sequences from “1000” to “4000” have been used across the IAASB Standards. Using a unique numbering sequence also helps to differentiate the standard from other IAASB Standards and minimize complexity or confusion.
8. As the Standard is developed, further consideration will be given to the impact of this proposal on the IAASB’s Standards and frameworks, including the *Preface to the International Quality Management, Auditing, Review, Other Assurance, And Related Services Pronouncements* and the *International Framework for Assurance Engagements (Amended)*.

Matters for the IAASB Consideration:

1. Is the IAASB aware of any impediments in using the proposed title? If so, what alternative title would be appropriate?

Draft Project Proposal

9. In June 2022, the Board requested the SAWG to present a draft project plan that sets out the vision and timeline for the project. The Board also emphasized that the key public interest issue in the context of assurance on sustainability reporting is the timeliness of standard setting, and therefore emphasized that the project plan needs to be simple and sufficiently high level so that it does not distract from the standard-setting activities.
10. The SAWG has developed a draft Project Proposal in **Agenda Item 4–A**. Although the SAWG initially sought to prepare a more condensed, or simple, project plan than recent project proposals approved by the Board, the SAWG found that it was efficient to prepare a more fulsome document. Accordingly, the SAWG used recently approved project proposals (Fraud, Going Concern and Listed Entity and Public Interest Entity) as the basis for the structure of the draft Project Proposal. Relevant aspects of the draft Project Proposal that are “standardized text” have been highlighted in grey in **Agenda Item 4–A**. Furthermore, consistent with the recently approved project proposals, **Agenda Item 4–A** considered and incorporated elements, tailored as appropriate, of the Public Interest Framework (PIF).
11. Specific matters considered by the SAWG in developing the draft Project Proposal were as follows:

Matter considered		Agenda Item 4-A Para.
(a)	The SAWG noted the importance of recognizing, and emphasizing, that the standard will be suitable for all assurance practitioners.	1, 11 and 13
(b)	The draft Project Proposal emphasizes the extensive outreach and information gathering and research already undertaken. This is important to support the basis for undertaking further standard-setting activities at this time, in line with the IAASB's Framework for Activities.	3–4
(c)	Noting the Board's feedback in June 2022 regarding the key public interest issues, the SAWG has emphasized timeliness in the project objectives that support the public interest.	11
(d)	As discussed with the Board in March 2022, and subsequently, in June 2022, the project aims to be neutral towards the sustainability topics, information disclosed about those topics, and reporting frameworks. The SAWG is of the view that this will enable increased adoption of the IAASB's standard globally, and less fragmentation.	11, 18–21 and 38
(e)	While incorporating the elements of the PIF in the draft Project Proposal, the SAWG noted that the stakeholder groups as described in the PIF require tailoring to be suitable for assurance on sustainability reporting. For example, the users of sustainability information may be broader than providers of financial capital, and therefore the users of sustainability information includes users with other interests.	13
(f)	The draft Project Proposal acknowledges the possible future work to be undertaken in developing further standards, and the need to remain focused on key areas in undertaking the immediate standard-setting action. This will be critical to enabling the IAASB to deliver an overarching standard in a timely manner, thereby achieving the objectives that support the public interest.	16–17
(g)	The approach to standard setting reflects the outcome of the Board's discussion in June 2022, including the relationship of the new standard with ISAE 3000 (Revised) and addressing both limited and reasonable assurance.	22–24
(h)	<p>Paragraph 25 of the draft Project Proposal outlines the priority areas, i.e., where the IAASB will more specifically consider the requirements and application material, including the appropriate specificity of material related to these areas.</p> <p>In June 2022, the Board agreed with the five priority areas identified by the SAWG and also suggested:</p> <ul style="list-style-type: none"> • Considering the following additional areas: fraud risk and management bias, forward-looking information, and assurance reporting. • Separating internal controls from evidence. 	25–26

Matter considered	Agenda Item 4-A Para.
The SAWG has separated internal controls, as requested. However, the SAWG was of the view that adding additional priority areas could jeopardize timely progress on the project. Accordingly, the SAWG is of the view that these areas should be considered as part of future standard-setting activities. However, noting the extent to which assurance reporting has been raised in discussions with key stakeholders, the SAWG has proposed signposting the examples of reports and guidance on reporting in the <i>Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements (EER Guidance)</i> at the time the overarching standard is finalized and published.	
(i) The SAWG has explained the approach that will be followed in developing the new standard (i.e., unlike other IAASB project proposals that set out the specific actions that will be taken to address the issues).	27
(j) The SAWG noted the importance of emphasizing that the IAASB has the appropriate expertise, or access to expertise, to undertake the project.	27, 30 and 36
(k) The SAWG acknowledges the sensitivity of the timeline of this project, and that timeliness is a key public interest issue. The timeline reflected in the draft Project Proposal has been developed taking into consideration available resources (e.g., Board capacity in the context of all IAASB projects and staff resources), and the time needed to complete the project, considering the nature and extent of the issues to be addressed in developing the overarching standard and the IAASB's previous experience in progressing significant projects. It is noted that while these are best estimates, the timelines may change as the project progresses.	35
(l) The SAWG believes it is critical to be clear about the expected output, i.e., that the standard will be principles-based and that further details on how to apply the standard to specific circumstances will not be provided (e.g., how to apply the standard to certain topics, or information about those topics).	38

Matters for the IAASB Consideration:

2. The Board is asked for its views on the draft Project Proposal presented in **Agenda Item 4-A**. For the purposes of this discussion, the SAWG Chair will walk through each section of the project proposal as follows:
- (i) Sections A–D
 - (ii) Sections E–F
 - (iii) Sections G–H

In providing feedback, the Board is asked specifically for their views on the following:

- (a) The proposed project objectives that support the public interest (paragraph 11 of **Agenda Item 4-A**).
 - (b) The priority areas that will be more specifically considered (paragraphs 25–26 of **Agenda Item 4-A**).
 - (c) The approach to developing an overarching standard for assurance on sustainability reporting (paragraph 27 of **Agenda Item 4-A**).
3. The Board is asked whether there are any other matters that should be addressed within the draft Project Proposal.

Overview of SAWG's Activities

1. The following sets out the activities of the SAWG including coordination with other IAASB Task Forces, Consultation Groups and Working Groups and other standard-setting Boards.
2. The composition of the SAWG is as follows:
 - (a) Lyn Provost (Chair);
 - (b) Wolfgang Böhm;
 - (c) Diane Larsen;
 - (d) Warren Maroun; and
 - (e) Isabelle Tracq-Sengeissen.

SAWG Activities in Quarter 3 of 2022

3. The SAWG held five calls since the June 2022 IAASB meeting.
4. As already highlighted in this paper, a number of outreach activities were undertaken across various stakeholders.

Coordination with Other IAASB Task Forces, Working Groups and Consultation Groups and Other Standard-Setting Boards

5. Staff of the IAASB held a quarterly meeting with the International Ethics Standards Board for Accountants (IESBA) and the International Public Sector Accounting Standards Board.
6. Furthermore, Staff of the IAASB have had regular engagement with the IESBA to coordinate outreach activities with key stakeholders and to discuss matters of coordination.
7. Staff of the IAASB have also met with Staff of the ISSB and GRI.