

Agenda Item H: Assurance on Sustainability Reporting

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Assurance Working Group
(SAWG) Chair

IAASB CAG Meeting
September 8, 2022



The IAASB's Journey so Far

December 2021: Approved Work Plan for 2022-2023: Commence information gathering on sustainability assurance

March 2022: IAASB Board Meeting:

- Presentations from European Commission, and perspectives from preparer, investor and assurance practitioner
- Board breakout groups brainstormed challenges, scope of IAASB work, and way forward

June 2022: IAASB Board Meeting

- Discussed proposals to develop an overarching standard for assurance on sustainability reporting

IAASB June 2022 Discussion: Key Outcomes

Timely and responsive standard-setting, initiate action immediately

Develop an overarching assurance standard on sustainability

Develop a project proposal to clearly set out IAASB's intentions

Project Proposal: Project Objectives

Develop a new overarching standard for assurance on sustainability reporting, that is:

- a) Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements; and**
- b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks, and is implementable by all assurance practitioners**



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

Project Proposal: Scope of Standard



Immediate action

Overarching standard for assurance on sustainability

- Cover both limited assurance and reasonable assurance
- Complete assurance solution covering all areas of the engagement
- More specificity for areas of engagement where priority challenges identified (priority areas)



Future Vision

Further develop and build suite of standards over time

- Respond to emerging issues
- Address additional challenges
- Evolve with maturity of reporting and assurance

Project Proposal: Scope of Standard

Address all areas of sustainability reporting:

**ALL
Sustainability
Topics**

**ALL
Information
disclosed
about the
topics**

**ALL
Mechanisms
for reporting**

**ALL
Reporting
standards**

**ALL
Users /
Stakeholders**

**Addresses limited and
reasonable assurance**

**Stand-alone from ISAE 3000
(Revised)***

* i.e., would not be required to apply ISAE 3000
(Revised) and the new standard

Project Proposal: Priority Areas

More specificity for the following priority areas:



Reporting also specifically noted; already extensive guidance available that will be signposted

Project Proposal: Approach to drafting

1

Identify defined terms:

- Based on terms in ISAE 3000 (Revised) and ISAE 3410, and refer to similar or related terms in the ISAs and EER Guidance
- Adapt defined terms, as appropriate, to be more relevant and suitable to assurance on sustainability reporting

2

Identify requirements and application material from ISAE 3000 (Revised) and ISAE 3410:

- Includes identifying whether to use the ISAE 3000 (Revised), ISAE 3410 or a combination of both.
- Will also consider ISAE 3400

3

Consider the ISAs:

- Develop criteria to use as a basis for identifying ISAs that should be considered for including requirements and application material in the new standard - identify which ISAs to consider
- Analyze the ISAs identified, to consider whether there are requirements or application material appropriate for inclusion in the new standard

Project Proposal: Approach to drafting

4

Review EER Guidance:

- Identify material that should be built into the standard

5

Address priority areas:

- Understand the specific issues
- Consider whether the material identified through actions 1–4 appropriately address the issue
- Develop further material, as appropriate

Project Proposal: Timeline

**H2 2022 to
H2 2023**

- Develop exposure draft
- Outreach with key stakeholders
- September 2023: Approved of ED by IAASB

**H2 2023 to
H1 2024**

- Publish exposure draft and an Explanatory Memorandum
- Outreach with stakeholders
- February 2024: Comment period for ED closes

**H1 2024 to
H2 2024/
H1 2025**

- IAASB deliberation of responses to the exposure draft
- December 2024 / March 2025: IAASB approval of final pronouncement
- Next PIOB meeting – approval of due process
- Publication of final pronouncement and basis for conclusions
- Outreach to promote standard and educate key stakeholders

Question 1: Project Proposal

Representatives are asked for views on the draft Project Proposal presented in Agenda Item H.2, in particular the following:

- (a) The proposed project objectives that support the public interest**
- (b) The priority areas where specificity will be provided**

Progress to date: Initial Work to Develop the Standard

- 1 Identify defined terms:
 - ✓ Proposals developed for discussion with IAASB in September 2022
- 2 Identify requirements and application material from ISAE 3000 (Revised) and ISAE 3410
 - ❖ Initial proposals on some requirements developed (seeking IAASB input in September 2022 on direction and approach)
 - Application material not yet started
 - Review of ISAE 3400 not yet started
- 3 Consider the ISAs
 - ✓ Developed criteria to use as a basis for identifying ISAs, and identified the ISAs to consider
 - ❖ Analyzed certain ISAs identified to consider relevant requirements (seeking IAASB input in September 2022 on direction and approach)
 - Application material for relevant ISAs yet to be considered
- 4 Review EER Guidance:
 - Partially initiated, but material likely more suitable for application material
- 5 Address priority areas
 - Not yet started

Developing Proposed ISSA 5000: Structure

- 1 Conduct of an Assurance Engagement in Accordance with ISSA
- 2 Fundamental Concepts, General Principles and Overarching Requirements
- 3 Engagement Scope and Other Preconditions for a Sustainability Assurance Engagement
- 4 Audit Evidence and Documentation
- 5 Planning
- 6 Risk Identification and Assessment
- 7 Responding to Assessed Risks of Material Misstatement
- 8 Concluding
- 9 Forming a Conclusion and Reporting

**Please see Agenda
Item H.4**

**Similar structural
approach to
Proposed
International
Standard on Auditing
for Audits of
Financial Statements
of Less Complex
Entities (ISA for LCE)**

Developing Proposed ISSA 5000: Definitions

Refer to
Agenda Item H.5

Approach:

- Identify definitions in ISAE 3000 (Revised) and ISAE 3410
- Identify similar terms in the ISAs and EER Guidance
- Consider most appropriate definition for sustainability assurance – adapt where needed

Key definitions for discussion with the IAASB in September 2022:

- Assertions: Question whether to introduce concept of assertions in sustainability engagements, and which definition to use (e.g., current definition in ISAE 3410, ISA 315 (Revised 2019) or others
- Engagement partner: Sustainability engagements performed by various types of professionals and engagement partner may be perceived as reflecting audit environment

Developing Proposed ISSA 5000: Definitions

**Refer to
Agenda Item H.5**

Key definitions for discussion with the IAASB in September 2022:

- Sustainability information: Replaces “subject-matter information” from ISAE 3000 (Revised) and tailored for sustainability assurance
- Sustainability subject-matter: Replaces “underlying subject matter” from ISAE 3000 (Revised) and tailored for sustainability assurance

Developing Proposed ISSA 5000: Criteria for ISAs

Refer to
Agenda Item H.6

Establish criteria as a basis for identifying which ISAs may be considered in determining whether there are concepts to add to Proposed ISSA 5000

After identifying relevant requirements from ISAE 3000 (Revised) and ISAE 3410:

- ➔ Use the criteria to identify ISAs to consider
 - ➔ Review the ISAs identified to consider whether there are any requirements or application material relevant to ISSA 5000

Questions 2 and 3

Question 2:

Representatives are asked for views on the draft structure of Proposed ISSA 5000 (see Agenda Item H.4), including the SAWG's proposal to follow a similar approach as the ISA for LCEs

Question 3:

Representatives are asked for any other views regarding the IAASB's approach to developing Proposed ISSA 5000

Next Steps

September 2022: IAASB Board Meeting

- Draft project proposal (possible approval)
- Structure of overarching standard, definitions and approach to drafting requirements



Ongoing
engagement
with key
stakeholders

December 2022: IAASB Board Meeting

- Approve project proposal (if not approved in September)
- Draft requirements and application material for priority areas

2023 – 2025: Estimated Timeline

- Exposure draft H2 2023
- Finalize standard H2 2024/H1 2025



IAASB

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