

IAASB
529 5th Avenue
New York, 10017
USA

WBCSD
Avenue du Bouchet 2B
1209 Geneva
Switzerland

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WBCSD feedback in proposed ISSA 5000

To whom it may concern,

The World Business Council for Sustainable Development (WBCSD) welcomes the opportunity to provide input into the further development of ISSA 5000.

WBCSD represents preparers from a global network of leading businesses

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future. Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees.

Together, we are the leading voice of business for sustainability, united by our vision of a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

WBCSD's CFO Network which brings together more than 50 CFOs from across all sectors and geographies – together representing over USD 1.5 trillion in combined revenue and over 3 million employees.

WBCSD welcomes the development of the ISSA 5000 exposure draft.

We believe mandatory assurance helps build trust in reported information, better ensuring it can be used by investors and other stakeholders to inform their decision-making. We welcome and applaud the work of the IAASB to develop the ISSA 5000 exposure draft. We support the development of a standard that can be applied across frameworks and standards, across sustainability topics, and is appropriate for both limited and reasonable assurance.

We are grateful to the IAASB for directly engaging with our members as part of its stakeholder consultations. Based upon the discussions between the IAASB and our members, we outline below a synthesis of feedback. This relates to the three key areas discussed: materiality, internal controls, and value chain reporting.

Materiality

Members highlighted several challenges they envisage with respect to future assurance requirements around the materiality process by reporting entities:

- There are concerns that there is no clear standard or binding guidance for the development of materiality assessments. Absent such clarity, members highlighted the challenge of developing and delivering a process that they can be sure will meet the requirements of the assurance standard, or that assurance practitioners can objectively judge against.
- Materiality processes involve subjective judgements, in particular in relation to sustainability topics that are less well-established, where data may be sparse. Further clarity on expectations of assurance practitioners on how they will evaluate an entity's process would be welcomed.
- Members agreed that a focus on the materiality process, and ensuring the robustness of the process, is a better approach than seeking to assure the outcomes of a materiality process.

- Members highlighted the importance of ensuring a clearly defined process, the development of appropriate criteria, transparency of qualitative and quantitative data inputs, and clear management and governance structures as ways of building confidence in the materiality process.
- Members noted that, having asked their assurance providers about developing future-proof materiality processes, they receive different answers from different individuals, as well as different firms, demonstrating the lack of clarity on the topic.

Internal controls

Members highlighted the following points in relation to building internal controls for sustainability reporting:

- The scale of challenge for preparers was emphasized, considering the number of data points and information that will need to be assured, especially as some of this will be in relation to complex value chains.
- The robustness of internal controls required for sustainability information will require resource and time to build understanding, capability and capacity for issue and data owners internally, for whom this is likely to be a relatively new endeavour.
- Notwithstanding the above challenges, members agree that the internal controls and rigour required for sustainability information should be the same as for financial information.
- Members want to see their assurance providers, through their management letters, more robustly highlight any deficiencies or areas for continued improvement in internal controls to ensure the highest standards of rigour and systems to deliver sustainability reporting requirements.

Value chain reporting

Members highlighted the following points in relation to the assurance of information from the value chain:

- For companies with large, complex and diverse value chains, obtaining the necessary information and data to meet the reporting requirements will be difficult. To do so in a manner that is sufficiently robust to meet assurance requirements will likewise be challenging.
- Challenges include the reliability of data coming from small suppliers that do not have the systems nor capacity to implement more robust data gathering processes.
- There are also internal challenges around ensuring comfort with third party data or relying on information from certification organisations.
- Members queried what their responsibility to verify the information they receive from third parties is: clarity on what level of evidence (for assurance purposes) will be sufficient would be welcomed.
- Members also queried what the assurance provider's responsibility was towards information provided that is based upon lifecycle assessments: will they review the process? Will they run their own assessment to confirm the information provided? This is another area where clarity would be welcomed.
- Due to these complexities, it was emphasized that it is important for assurance practitioners to have deep expertise on the industry and sustainability challenges of the company to be able to effectively conduct their engagement.

Thank you for considering our feedback. WBCSD and its members stand ready to support the further development of ISSA 5000.

WBCSD

Note that this consultation response was released in the name of WBCSD. Like others, it is the result of collaborative efforts by the secretariat, partners and representatives from member companies. It does not mean, however, that every member company agrees with every word.