

# Agenda Item 4-A: Assurance on Sustainability / ESG Reporting

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*IAASB Meeting*

*June 15, 2022*



# What has the IAASB Discussed so Far?

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

**Focus actions on balancing public interest for: timely, comprehensive, relevant, implementable and understandable standards**

March 2022: IAASB Board Meeting:

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

June 2022: IAASB Board Meeting

- Debriefing from March Board meeting
- Board direction on the scope of immediate standard-setting actions

# Feedback from March Breakout Groups

**All encapsulated within the scope of the IAASB's work**

**Topics**

**Information disclosed about the topics**

**Mechanism for reporting**

**Reporting standards**

**Users**

**Timely / responsive standard setting action**

**Sustainability branded standards**

**Leverage existing IAASB standards/guidance**

# Feedback from March Breakout Groups (continued)

## Various critical challenges

Acceptance / continuance

Other professional assurance providers

Limited versus reasonable assurance

Sufficient appropriate evidence

Materiality

Reliance on experts and others

Fraud

Forward looking information

Completeness

Understanding controls

Users' lack of understanding of assurance report

# SAWG Recommendations

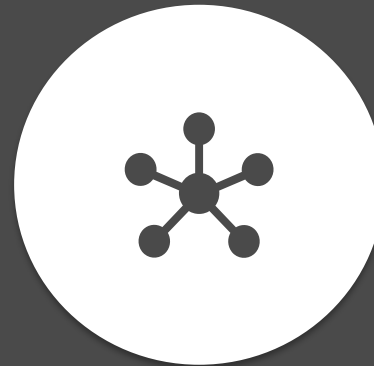
 Pursue the development of standards for assurance on sustainability

 Focus on the following priority challenges:



Limited versus reasonable assurance

Suitable reporting criteria



Scope of engagement

Evidence & Internal Controls



Practitioners' Materiality

# Questions for the Board

## Question 1

Does the Board support pursuing the development of a standard(s) for assurance on sustainability / ESG reporting as the immediate action?

## Question 2

Does the Board agree with the five challenges that have been identified by the SAWG as most critical, and on which specificity would be provided as part of the initial standard-setting effort?

## Question 3

Does the Board agree with the SAWG's view that it is necessary to address both limited assurance and reasonable assurance initially or does it prefer to address limited assurance only as the IAASB's initial standard-setting efforts?

# Proposed Approach to Building the Standards



## Immediate action

**Overarching standard for assurance on sustainability**

### Key Decisions:

- Whether to cover limited assurance and reasonable assurance
- Linkage to ISAE 3000 (Revised)



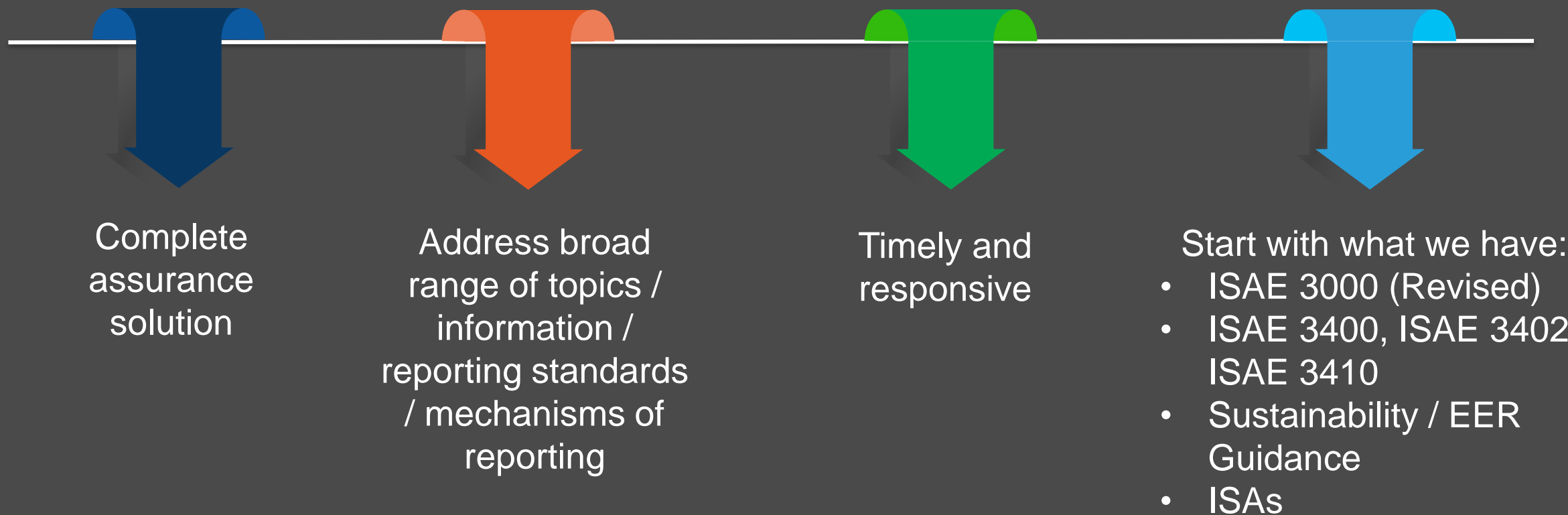
## Future Vision

**Further develop and build standards over time**

**Address challenges  
Consider maturity of reporting  
and assurance**

# Proposed Immediate Action: Overarching Standard

## Approach to Standard Development





# Public Interest Framework for Development of Standards

## Qualitative **characteristics** of high-quality standards responsive to the public interest:

1. Consistency *with strategic priorities*
2. Coherence *with the overall body of standards*
3. Appropriate scope *to address key issues*
4. Scalability *proportionate to relative impact*
5. **Timeliness\*** *without sacrificing quality*
6. **Relevance\*** *to differing circumstances*
7. Completeness *reflecting outreach*
8. **Comprehensiveness\*** *limiting exceptions*
9. Clarity and conciseness *for **Understandability\****
10. **Implementability\*** *consistently and globally*
11. Enforceability *through clear responsibilities*

\* **Characteristics identified as key to determining the architecture of sustainability standard/s**

# ISAE 3000 (Revised) Linkage Options for Overarching Standard

	Material from ISAE 3000 (Revised)	Compliance with ISAE 3000 (Revised)	Material from other standards (e.g., ISAs, ISAE 3410 etc.)	Key features	Key Public Interest Framework Characteristics met
<b>Option 1:</b> “Greenfield” approach	Not constrained by ISAE 3000 (Revised)	Does not require compliance with ISAE 3000	Consider relevant material, modify/adapt for sustainability / ESG	Allows for innovation and new approaches	Relevant
<b>Option 2:</b> “Stand-alone” standard consistent with ISAE 3000 (Revised)	Relevant elements and principles of ISAE 3000 (Revised) incorporated	Does not require compliance with ISAE 3000	Consider relevant material, modify/adapt for sustainability / ESG	Enhancements and specificity for sustainability / ESG	Relevant Understandable
<b>Option 3:</b> “ISAE 3000 (Revised) plus” approach	Only includes requirements additional to ISAE 3000 (Revised)	Requires compliance with ISAE 3000 (Revised)	Consider relevant material, modify/adapt for sustainability / ESG	Similar approach to other subject-matter specific ISAEs	Timely

# Questions for the Board

## Question 4

The Board is asked to share their views on:

- (a) The proposed phased approach to standard setting for sustainability / ESG assurance engagements
  - *Immediate action: an overarching standard to provide the future building blocks*
  - *Possible future action: standard-setting in response to public interest priorities.*
- (b) The approach to developing an overarching standard (i.e., which option is preferred: “Greenfield”, “Stand-alone” or “ISAE 3000 (Revised) plus”)
- (c) Any other matters for consideration by the SAWG or Staff as work is undertaken in developing the overarching standard

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