

# PROJECT PROPOSAL FOR THE DEVELOPMENT OF AN OVERARCHING STANDARD FOR ASSURANCE ON SUSTAINABILITY REPORTING

This project proposal was developed and approved by the International Auditing and Assurance Standards Board (IAASB).

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group (CAG), which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

## A. Subject

1. This project proposal addresses the development of an overarching standard for assurance on sustainability reporting, for use by all assurance practitioners (i.e., professional accountants and other professionals performing assurance engagements). This project proposal deals with the immediate standard-setting action, i.e., the development of an overarching standard for assurance on sustainability reporting that addresses:
  - (a) Both limited assurance and reasonable assurance;
  - (b) The conduct of an assurance engagement in its entirety to a degree of specificity that is commensurate with the overarching nature of the standard; and
  - (c) Areas of sustainability assurance engagements where priority challenges have been identified, and more specificity is required to a degree that is commensurate with the overarching nature of the standard.
2. The IAASB envisages that a suite of standards for assurance on sustainability reporting that provide more specificity than an overarching standard will likely need to be developed over time. The development of these future standards is not addressed in this project proposal. Instead, the IAASB will explore the further development of the suite of assurance standards on sustainability reporting as part of its future standard-setting activities, enabling the IAASB to be responsive to emerging issues and the evolution of sustainability reporting, and prioritizing issues in a manner that focuses on the public interest.
3. The IAASB is aware that the integration of sustainability information within the financial statements is a challenging area in practice. However, the IAASB does not plan to address this matter as part of its immediate standard-setting action or guidance. Accordingly, this issue may be considered as part of future standard-setting activities.

## B. Introduction

4. Sustainability reporting has quickly become a matter of global importance. The reliability of such reporting is a key issue for many stakeholders, in particular investors and other users of an entity's general purpose external reporting, regulators, and non-governmental organizations (NGOs).

Stakeholders are increasingly demanding assurance on sustainability reporting, and mandatory assurance requirements have been promulgated or proposed in many jurisdictions.

5. In 2022, the IAASB engaged with key stakeholders who are a driving force behind promoting reliable sustainability reporting, and assurance thereon. This includes, for example, the Financial Stability Board, the International Organization of Securities Commissions (IOSCO), the European Commission, the United States Securities Exchange Commission (SEC), the International Forum of Independent Audit Regulators (IFIAR), the Committee of European Auditing Oversight Bodies (CEAOB), the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), the Global Public Policy Committee (GPPC),<sup>1</sup> the Forum of Firms and Jurisdictional / National Standard Setters (NSS).
6. Engagement with these key stakeholders led to clear feedback. There is demand for international standards for assurance on sustainability reporting to reduce the risk of fragmentation in assurance standards globally and drive consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting. Stakeholders acknowledge that ISAE 3000 (Revised),<sup>2</sup> ISAE 3410<sup>3</sup> and the *Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements* (EER Guidance) are widely accepted and currently used to perform these engagements. Although ISAE 3000 (Revised) and ISAE 3410 remain robust and appropriate, there is a need for **standards** that are focused on and provide more **specificity** for assurance on sustainability reporting.
7. Accordingly, in the June 2022 IAASB meeting, the IAASB supported, as an immediate action, developing an overarching standard for assurance on sustainability reporting. The IAASB has already undertaken extensive information gathering and research to understand the challenges regarding assurance on sustainability reporting, identify the key issues to be addressed and explore solutions with stakeholders, through the development of the EER Guidance. This has been further supplemented by the targeted information gathering described in paragraph 5. Accordingly, the IAASB believes that the information gathering and research already undertaken has been comprehensive and rigorous, and supports an understanding of the challenges that will enable the IAASB to undertake this project.

In developing the project proposal for the EER Guidance, which was approved in October 2017, the IAASB undertook extensive information gathering and research, and public consultation, through discussion papers and outreach, to identify key challenges in performing assurance engagements on EER. Similarly, throughout the development of the drafts for public consultation for the two phases of the project, significant targeted outreach was undertaken across a broad range of stakeholders. This, together with the feedback received from the public consultations, and Board deliberations of issues and proposals, provided the basis for finalizing and approving the EER Guidance at the March 2021 IAASB meeting. A history of the EER Project, including details of the information gathering, consultations, and exposure drafts, is available on the [IAASB's Webpage](#).

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<sup>1</sup> The GPPC comprises representatives of six international accounting networks: BDO, Deloitte, EY, Grant Thornton, KPMG and PWC.

<sup>2</sup> ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>3</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

8. The culmination of the IAASB's information-gathering efforts in developing the EER Guidance resulted in guidance that addresses the following twelve (12) areas:
  - 1) Applying appropriate competence and capabilities;
  - 2) Exercising professional skepticism and professional judgment;
  - 3) Determining preconditions and agreeing the scope of the EER assurance engagement;
  - 4) Considering the entity's process to identify reporting topics;
  - 5) Determining the suitability and availability of criteria;
  - 6) Considering the process used to prepare, or internal control over the preparation of, the subject matter information;
  - 7) Using assertions;
  - 8) Obtaining evidence;
  - 9) Considering the materiality of misstatements;
  - 10) Addressing qualitative EER information;
  - 11) Addressing future-oriented EER information; and
  - 12) Communicating effectively in the assurance report.
9. In the IAASB discussions in March 2022 and June 2022, the IAASB agreed that these areas of challenge continue to exist and further noted other challenges related to assurance on sustainability reporting. Section E, *Scope of a Standard for Assurance on Sustainability Reporting*, discusses the proposed approach to developing the new overarching standard, and the extent to which specific areas of challenge, such as those listed above, will be addressed.

#### *Public Interest Framework*

10. The IAASB leveraged the Public Interest Framework (PIF) published by the Monitoring Group in July 2020 (as part of their report "[Strengthening the International Audit and Ethics Standard-Setting System](#)") in developing this project proposal to articulate the public interest responsiveness of the project. Among other things, the PIF sets out the considerations essential to the judgments needed in the development of standards. Although the PIF is not yet required to be implemented by the IAASB, it is likely this project will be in progress and completed when the PIF is implemented. The elements of the PIF deemed applicable and relevant to this project to develop a standard for assurance on sustainability reporting have been tailored and used as the basis for this project proposal, while still adhering to the due process requirements currently in place. However, as the PIF is being implemented as part of the Monitoring Group reforms, there may be elements of the PIF that are relevant to standard setting that will be further developed for the IAASB's work more broadly in the future.
11. Throughout the duration of the project, the IAASB will benefit from the independent, direct oversight by the PIOB, and will remain transparent and adhere to the IAASB's agreed strategies, due process, and the need to be responsive to the public interest.
12. This project proposal describes the project objectives that support the public interest, as well as the project scope for the work that will be undertaken in the project.

### C. Project Objectives that Support the Public Interest<sup>4</sup>

13. Considering the stakeholders whose interests are to be served through a project on assurance on sustainability reporting (see Section D), the project objective is to 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;
  - (b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
  - (c) Implementable by all assurance practitioners.

### D. Stakeholders Impacted by this Project

14. This project will aim to serve the interests of relevant stakeholders by addressing key issues and challenges. For the purposes of this project, the key public interest issue is the demand for a timely globally recognized standard for sustainability assurance engagements. An overarching standard for assurance on sustainability reporting would assist in avoiding fragmentation of assurance standards and enhance the consistent performance of quality assurance engagements, which is critical to stakeholders. Further specific areas that will be prioritized by the IAASB are outlined in paragraph 27.
15. The four broad stakeholder groups,<sup>5</sup> who will be impacted by a project to develop a standard for assurance on sustainability reporting include:
  - (a) *Users of sustainability information* (“the users”) – this may include a broad range of stakeholders, including investors, lenders, and other creditors, who may use the sustainability information to make resource allocation decisions, as well as other users who may be interested in the impact of the organization, including consumers, taxpayers, employees, competition and prudential authorities, central banks and bodies in charge of financial stability oversight, and those granting public contracts. It may also include suppliers and nongovernmental organizations.
  - (b) *The accounting profession and other professionals performing assurance engagements* – all assurance practitioners may use the standard.
  - (c) Those in charge of *adoption, implementation and enforcement* of the standards as well as monitoring of the capital markets who rely on such standards – including national standard setters, regulators and inspectors, market authorities, public sector bodies, and professional accountancy organizations.
  - (d) *Preparers* – management, for entities of all sizes, in either the public or private sectors, as well as those charged with governance.

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<sup>4</sup> See the PIF’s section on “What interests need to be served?” (on page 21 of the Monitoring Group’s report, “*Strengthening the International Audit and Ethics Standard-Setting System*”).

<sup>5</sup> These broad stakeholder groups have been adapted from the five stakeholder groups explained in the PIF’s section on “For whom are standards developed?” (on pages 20-21 of the Monitoring Group’s report, “*Strengthening the International Audit and Ethics Standard-Setting System*”). For the purposes of sustainability, the IAASB believes there is only one broad group of users, given sustainability information may be provided for both providers of financial capital and users with other interests.

16. In line with the PIF,<sup>6</sup> standard setting that is in the public interest requires a process that gathers views from all stakeholders, with a focus on assessing the merits of the various stakeholder views, irrespective of whether the views are a majority or a minority. The public interest of standards cannot be ensured through a mere aggregation of all stakeholder interests, rather the public interest requires weighing and balancing all stakeholder views.
17. In order to address the public interest as contemplated by the PIF, and to achieve the objectives of this project proposal, the project will:
  - (a) Consider all stakeholder input and identify the different stakeholder interests that affect the overall objectives that will achieve the public interest;
  - (b) Appropriately weigh the input in terms of the public interest impact of the relative stakeholder interests;<sup>7</sup> and
  - (c) Appropriately balance alternative outcomes in terms of the expected responsiveness to the public interest.<sup>8</sup>

Although the PIF sets out a framework for how the public interest will be addressed, the approach for considering stakeholder interests and how they are weighed is largely consistent with how stakeholder input is currently considered on IAASB projects (i.e., judgment is applied).

## **E. Scope of a Standard for Assurance on Sustainability Reporting**

18. The IAASB plans to undertake immediate focused standard-setting action to address the demand for a timely standard for assurance on sustainability reporting. The immediate standard-setting action would focus on developing an overarching standard that:
  - (a) Addresses the conduct of an assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance through to reporting.
  - (b) Provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in paragraph 27, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard.

### *Topics, Information Disclosed About the Topics and Mechanisms for Reporting*

19. Sustainability reporting covers many topics (i.e., underlying subject matter). The information disclosed about these topics (i.e., the resulting subject matter information) and the mechanism for reporting to the public or stakeholders (i.e., the collation and presentation of the subject matter information) also varies. In some cases, an entity may use multiple mechanisms for reporting sustainability information. The following illustrates the variety of topics that form part of sustainability reporting, the information disclosed about these topics that results from applying criteria to the topics,

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<sup>6</sup> See the PIF's sections on "For whom are standards developed?" and "How is the public interest responsiveness of a standard assessed?" (on pages 20-21 and 23-24, respectively, of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

<sup>7</sup> This project will recognize the importance of all stakeholders but will focus on users of sustainability reporting. See the PIF's section on "For whom are standards developed?" (on pages 20-21 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

<sup>8</sup> See the PIF's section on "How are the interests of users best served?" (on pages 21-22 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

and various mechanisms used by entities for reporting the sustainability information (individually as one mechanism or a combination of mechanisms):

<b>Topics (Underlying Subject Matter)</b>	<b>Information Disclosed About the Topics (the Resulting Subject Matter Information)</b>	<b>Mechanism for Reporting (the Collation and Presentation of the Subject Matter Information)</b>
<ul style="list-style-type: none"> <li>• Climate, including emissions</li> <li>• Economic impacts, such as government assistance, tax strategy, anti-competitive behavior and market presence</li> <li>• Labor practices, such as diversity and equal opportunity and training and education</li> <li>• Human rights and community relations, such as local community engagement, impact assessments and development programs</li> <li>• Water and effluents, such as water consumption and water discharge</li> <li>• Energy, such as type of energy and consumption</li> <li>• Biodiversity, such as impacts on biodiversity or habitats protected and restored</li> </ul>	<p>Depending on the criteria, information about the topics may relate to elements such as:<sup>9</sup></p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Strategy and business model</li> <li>• Risks and opportunities</li> <li>• Risk management or mitigation</li> <li>• Innovation to address risks and opportunities</li> <li>• Metrics and key performance indicators</li> <li>• Targets</li> <li>• Internal control over monitoring and managing risk</li> <li>• Scenario analysis</li> <li>• Impact analysis, including magnitude of impact</li> </ul>	<p>Sustainability information included in:</p> <ul style="list-style-type: none"> <li>• An integrated report</li> <li>• A sustainability report</li> <li>• A CSR Report</li> <li>• An ESG Report</li> <li>• An annual report</li> <li>• Management commentary related to the financial statements</li> </ul>

<sup>9</sup> In certain instances, some of these elements may be the underlying subject matter. For example, the subject matter may be the entity's governance processes, controls, and procedures used to monitor and manage climate-related risks and opportunities, and the subject matter information may be the information disclosed in the sustainability report about these governance processes, controls, and procedures, which is disclosed in accordance with a reporting framework (criteria).

*Organizations may address and present the topics, or the information about the topics, in an integrated manner (i.e., they may not always be addressed and presented individually).*

20. The overarching standard for assurance on sustainability reporting would be suitable for assurance engagements of all sustainability information, which may comprise a variety of topics or information disclosed about the topics and may be provided to intended users through various reporting mechanisms. This is because:
- (a) Global developments in sustainability reporting are more holistically dealing with sustainability topics, and priority areas may differ among jurisdictions or regions (e.g., climate may be a priority in developed countries, but developing countries may be dealing with social issues, such as modern slavery);
  - (b) An overarching standard is principles-based, and therefore suitable for assurance engagements of all sustainability information; and
  - (c) Sustainability topics are often inter-related or presented in an integrated manner, and therefore designing assurance standards focused on specific topics could be complex to navigate.

#### *Reporting Frameworks and Users of Sustainability Information*

21. Similar to the approach in the International Standards on Auditing (ISAs), the overarching standard for assurance on sustainability reporting would be framework-neutral, i.e., suitable for assurance of sustainability information, irrespective of the underlying criteria used to prepare the sustainability information (recognizing that the criteria need to be suitable in order to perform the engagement). Nevertheless, in developing the standard, the IAASB would utilize globally developed sustainability reporting standards as a basis for understanding whether the IAASB's proposals are appropriate and can be practically applied, such as the IFRS Sustainability Disclosure Standards being developed by the ISSB and the GRI Standards. Furthermore, the IAASB would monitor other jurisdictional developments on sustainability reporting, such as the SEC *Proposed Rules for The Enhancement and Standardization of Climate-Related Disclosures for Investors* and the European Union (EU) *Corporate Sustainability Reporting Directive (CSRD)*.
22. Recognizing that reporting standards may be designed to provide sustainability-related information to providers of financial capital, or more broadly for a variety of users (see paragraph 15), the IAASB's overarching standard for assurance on sustainability reporting would be suitable for assurance engagements of sustainability reporting regardless of the intended users.<sup>10</sup>

#### *Relationship with ISAE 3000 (Revised) and ISAE 3410*

23. Unlike existing subject-matter-specific standards that build upon ISAE 3000 (Revised), the overarching standard for assurance on sustainability reporting would be standalone (i.e., the practitioner would not be expected to apply both ISAE 3000 (Revised) and the standard for assurance on sustainability reporting). Nevertheless, the overarching standard for assurance on sustainability reporting will be developed in a manner consistent with ISAE 3000 (Revised), with enhancements and specificity to address assurance on sustainability reporting in a manner commensurate with the

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<sup>10</sup> The intended users is an important consideration for the assurance practitioner in determining the intended users of the practitioner's assurance report and in matters such as materiality, misstatements, and reporting. However, the IAASB's work will remain principles-based regarding the intended users, as is currently the case across the IAASB's Standards.

overarching nature of the standard. The IAASB will also use the principles of ISAE 3410, applied to sustainability information more broadly, when appropriate, in developing a baseline of definitions, requirements and application material.

24. Conforming amendments will be made to the scope of ISAE 3000 (Revised) and ISAE 3410 to clarify when ISAE 3000 (Revised), ISAE 3410 or the new overarching standard for assurance on sustainability reporting apply to a particular assurance engagement.

#### *Limited and Reasonable Assurance*

25. Assurance on sustainability reporting is developing across jurisdictions at different rates. Some jurisdictions plan to mandate limited assurance initially with a shift to reasonable assurance over time, however not all jurisdictions have begun to perform these assurance engagements and regulators may not be considering mandating assurance at this stage. As a result, there will likely be demand for both limited and reasonable assurance engagements and therefore the overarching standard for assurance on sustainability reporting will deal with both limited and reasonable assurance.
26. The project aims to develop a single overarching standard to address both limited and reasonable assurance. Consistent with the approach in ISAE 3000 (Revised) and ISAE 3410, the material will be set out in a columnar format to differentiate between limited and reasonable assurance engagements. The letter “L” (limited assurance) or “R” (reasonable assurance) will be used after the paragraph number to indicate which material applies to the respective engagements. The IAASB believes that addressing limited and reasonable assurance in a single overarching standard is appropriate because:
  - (a) Limited assurance is a concept that is relative to reasonable assurance and the differential work effort is likely to be better understood when it is addressed in the context of reasonable assurance.
  - (b) In circumstances when a practitioner performs limited assurance with a view to shifting to reasonable assurance in the future (e.g., because law or regulation mandates the practitioner to do so), it is important to be clear about how the work performed in a limited assurance engagement overlaps with, or can be evolved to, a reasonable assurance engagement.
  - (c) There are some engagements when the practitioner may provide limited assurance on aspects of the sustainability information, and reasonable assurance on other aspects of the sustainability information, within a single engagement.

#### *Priority Areas where Specificity will be Provided*

27. As explained in paragraph 18, the IAASB intends to more specifically consider the requirements and application material for the priority areas presented below, including the appropriate specificity of such material. The priority areas were identified through the information gathering and research activities explained in paragraphs 4–8, which included IAASB discussions in March and June 2022. The following summarizes the priority areas:
  - (a) The difference in work effort between limited and reasonable assurance, including sufficiency of evidence.
  - (b) The suitability of the reporting criteria, including addressing concepts such as “double materiality.”
  - (c) The scope of the assurance engagement.



- (d) Evidence, including the reliability of information and what comprises sufficient appropriate evidence.
  - (e) The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence.
  - (f) Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.
28. In the IAASB's engagement with key stakeholders described in paragraph 5, stakeholders have frequently raised issues related to reporting, such as clarifying the level of assurance to users of the assurance report and the scope of the assurance engagement. Reporting will be addressed in the overarching standard as an element of the assurance engagement and will largely be based on the material in ISAE 3000 (Revised). In addition, the IAASB will signpost the examples of reports and guidance on reporting in the EER Guidance.

## **F. Approach to Developing an Overarching Standard for Assurance on Sustainability Reporting**

29. The actions underlying the approach to developing an overarching standard for assurance on sustainability reporting are set out below. The actions are intended to provide a roadmap to guide the work of the IAASB. However, as the standard is developed, additional actions may be needed or the approach may need to be adjusted and revised. In undertaking the actions below, the IAASB plans to consult with the reference groups described in paragraph 33.

**1.** Identify defined terms (i.e., terms and their related definition) in ISAE 3000 (Revised) and ISAE 3410. In doing so, identify similar or related terms in the ISAs and EER Guidance. Determine whether the defined terms are appropriate "as is," or need to be adapted to be more relevant and suitable to assurance on sustainability reporting.

*(Note that further defined terms may be necessary as the standard is developed, for example, if new requirements are introduced).*

**2.** Identify relevant requirements and application material in ISAE 3000 (Revised) and ISAE 3410 (this includes identifying whether to use the ISAE 3000 (Revised) requirement, ISAE 3410 requirement or a combination of both).

The IAASB will also consider whether basic principles, essential procedures or guidance material in ISAE 3400 is relevant and useful to the new standard.

**3.** Develop criteria to use as a basis for identifying which ISAs may be considered in determining whether there are concepts that are appropriate for including in the new standard and which requirements and application material to use from the identified ISAs.

Apply the developed criteria.

**4.** Review the EER Guidance to identify material that should be included in the standard, either as a requirement or application material.

5. For priority areas, understand the specific issues, consider whether the material identified through actions 1–4 appropriately address the issue and if not, develop further material for inclusion in the standard that is commensurate with an overarching standard.

30. Other areas were also identified during the information gathering and research activities, such as fraud, estimates, forward-looking information, management experts, other information, and service organizations, which have not been identified as priority areas. Since they are elements of an assurance engagement, these areas will be addressed through applying steps 1–4 above.
31. As the standard is developed, the IAASB will consider the Drafting Principles and Guidelines to address complexity, understandability, scalability and proportionality (CUSP) in developing the ISAs, to the extent they are relevant.
32. The PIF sets out the framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. In explaining how the stakeholders' needs can be served, the PIF sets out qualitative characteristics to assess a project's responsiveness to the public interest.<sup>11</sup> Such qualitative characteristics include characteristics relevant to the judgments needed in the development of standards and those applicable to standard-setting more broadly. In developing and revising principles-based requirements and application material for assurance on sustainability reporting, the relevant qualitative characteristics described in the PIF<sup>12</sup> that will be applicable as the project is being progressed include:
  - (a) *Timeliness* (through addressing identified needs without sacrificing quality).
  - (b) *Relevance* (through recognizing and responding to emerging issues, changes in business or public practice environments, developments in accounting practices, or changes in technology and developing principles-based requirements that enable the objectives of those requirements to be achieved in differing circumstances).
  - (c) *Comprehensiveness* (through limiting the extent to which there are exceptions to the principles set out).
  - (d) *Implementability* (through being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions).
  - (e) *Enforceability* (through clearly stated responsibilities).
  - (f) *Scalability* (including the proportionality of the standard's relative impact on different stakeholders, e.g., how a standard addresses the assurance needs of small and medium sized enterprises (SMEs) as well the needs of complex, listed entities).

It is intended that these qualitative characteristics are explicitly considered as the overarching standard for assurance on sustainability reporting is developed.

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<sup>11</sup> See the PIF's section on "What qualitative characteristics should the standards exhibit?" (on pages 22-23 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

<sup>12</sup> The other qualitative characteristics apply more broadly, with some addressed by the matters set out in this project proposal, while others may need to be considered at the end of the project.

*Coordination with Experts, Other IAASB Task Forces, Working Groups and Consultation Groups and Other Standards Setters*

33. This project will require consultation with experts in sustainability assurance. For this purpose, the IAASB will form two reference groups to support the work of the Sustainability Assurance Task Force (SATF) as follows:
- (a) One reference group will comprise subject-matter experts from various backgrounds with extensive experience in sustainability assurance, including experts from audit firms, academia and professional organizations.
  - (b) One reference group will comprise a focused group of experts who provide assurance engagements on sustainability reporting but are not associated with audit firms.
34. The project will involve coordination and collaboration with the International Ethics Standards Board for Accountants (IESBA) on matters such as applying the IESBA Code<sup>13</sup> in undertaking sustainability assurance engagements, and consistency of concepts (e.g., definitions). As the work of the IAASB and IESBA on sustainability reporting progresses, specific matters may arise on both sides that require coordination, for example, aspects of firm or assurance practitioner independence, and fraud or greenwashing.
35. The project may also involve the need to coordinate and collaborate with other IAASB task forces, working groups and consultation groups, who may have insights and expertise on particular matters that may be relevant to assurance on sustainability reporting. For example, the IAASB Staff may seek input from:
- (a) The Audit Evidence Task Force, regarding principles related to sufficient appropriate evidence, professional skepticism and the reliability of information.
  - (b) Staff, board members and technical advisors involved in the development of the quality management standards (ISQM 1<sup>14</sup> and ISA 220 (Revised)<sup>15</sup>), regarding concepts and principles introduced into the quality management standards that are also relevant for an assurance engagement of sustainability reporting.
  - (c) Staff, board members and technical advisors involved in the development of ISA 315 (Revised 2019),<sup>16</sup> regarding concepts and principles introduced in the revisions to ISA 315 (Revised) 2019 related to understanding the entity and its environment and identifying and assessing the risks of material misstatement.
  - (d) Any other task forces, working groups or consultation groups, as relevant.
36. The IAASB also plans to engage, and coordinate where necessary, with other international standard setters responsible for sustainability-related reporting or assurance standards.

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<sup>13</sup> IESBA International Code of Ethics for Professional Accountants (including International Independence Standards)

<sup>14</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>15</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>16</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

## G. Project Timeline, Project Priorities and Resources

37. The project will be undertaken in accordance with the Public Interest Activity Committees' Due Process and Working Procedures.<sup>17</sup>
38. The project to develop the overarching standard for assurance on sustainability reporting commenced in June 2022, as a result of the IAASB's agreement in the June 2022 meeting to initiate standard-setting work immediately. The priority action will be to develop the standard.
39. The IAASB proposes the following preliminary timetable, noting that specific project milestones and outputs may change as the project develops. Furthermore:
- (a) Should there be a need for non-authoritative guidance, this will be undertaken when feasible and to the extent resources are available, internally or externally, recognizing that the EER Guidance already exists and is comprehensive.
  - (b) In progressing the work, if there are opportunities to advance the targeted timing, the activities will be adjusted accordingly, and new targeted timelines will be communicated.

Targeted Timing <sup>18</sup>	Action(s)	
	Standard-Setting (Priority Actions)	Other
H2 2022 to H2 2023	<ul style="list-style-type: none"> <li>• Develop an exposure draft, including IAASB deliberation of priority challenges, proposals and relevant discussion of the exposure draft.</li> <li>• Obtain input from the IAASB CAG on the proposals, including discussing the exposure draft.</li> <li>• Obtain input from experts in sustainability assurance, in particular regarding the proposals to address the priority challenges.</li> <li>• September 2023: Approval of an exposure draft by the IAASB.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing engagement with key stakeholders.</li> <li>• Ongoing monitoring of developments globally in sustainability reporting (including sustainability reporting standards), and assurance of sustainability reporting.</li> </ul>

<sup>17</sup> As required by the IAASB's [Terms of Reference](#), this is the [Due Process and Working Procedures](#) as approved by the PIOB and that the IAASB must adhere to in developing its International Standards.

<sup>18</sup> H1 includes the period January through June, and H2 includes the period July through December of any calendar year, respectively.

Targeted Timing <sup>18</sup>	Action(s)	
	Standard-Setting (Priority Actions)	Other
H2 2023 to H1 2024	<ul style="list-style-type: none"> <li>• Publish exposure draft and an Explanatory Memorandum for a 120-day comment period.</li> <li>• Outreach with stakeholders, in particular investors, regulators, and assurance practitioners, who may not usually participate in the IAASB's consultation processes.</li> <li>• February 2024: Comment period for responses to exposure draft closes.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of developments globally in sustainability reporting (including sustainability reporting standards), and assurance of sustainability reporting.</li> </ul>
H1 2024 to H2 2024 / H1 2025	<ul style="list-style-type: none"> <li>• IAASB deliberation of responses to the exposure draft and resulting proposed changes to address feedback.</li> <li>• Obtain input from the newly formed Stakeholder Advisory Council (SAC)<sup>19</sup> on addressing key issues in finalizing the proposed overarching standard, as may be necessary.</li> <li>• Obtain input from experts in sustainability assurance regarding proposed changes to address feedback.</li> <li>• December 2024–March 2025 (depending on progress post-exposure draft): IAASB approval of the final pronouncement.</li> <li>• The next PIOB meeting after IAASB approval of the final pronouncement: <ul style="list-style-type: none"> <li>○ PIOB approval of due process in the development of the final pronouncement.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing engagement with key stakeholders.</li> <li>• Ongoing monitoring of developments globally in sustainability reporting (including sustainability reporting standards), and assurance of sustainability reporting.</li> <li>• Outreach with stakeholders to promote the new standard, and educate key stakeholders, such as investors on assurance on sustainability reporting (in particular how to interpret and understand the practitioner's assurance report).</li> </ul>

<sup>19</sup> IAASB leadership expects that the SAC will commence its activities in 2024 and replaces the IAASB and IESBA Consultative Advisory Groups as contemplated under the Monitoring Group reforms.

Targeted Timing <sup>18</sup>	Action(s)	
	Standard-Setting (Priority Actions)	Other
	<ul style="list-style-type: none"> <li>○ Publication of the final pronouncement and Basis for Conclusions.</li> </ul>	

40. In determining the resources required for this project, the IAASB will:
- (a) Assign IAASB Staff with the appropriate level of seniority and experience, and utilize available Staff resources, as and when these are available. The IAASB has also appointed a principal with sustainability experience to provide the necessary technical expertise.
  - (b) Explore utilizing a drafting team at appropriate intervals throughout the project, to leverage standard-setting drafting expertise across the IAASB members and technical advisors.
  - (c) Utilize the SATF to provide input to proposals developed by the IAASB Staff team. The SATF will comprise IAASB members, technical advisors, or others, as appropriate, with diverse backgrounds and who represent various geographical regions. The SATF members also will be selected based on relevant expertise in sustainability or non-financial assurance, and ISAE 3000 (Revised).
  - (d) Consult with key stakeholders (such as regulators, assurance oversight bodies, other standard setters and the GPPC) and experts in sustainability and assurance, including the reference groups (see paragraph 33)
  - (e) Prioritize the project and allocate sufficient Board plenary time to deliberate significant matters.
  - (f) Allocate sufficient time to consult with the CAG or SAC, as appropriate, on significant issues relevant to the project.
  - (g) Allocate sufficient time to consult with the PIOB on its public interest issues relevant to the project.

## H. Project Output and Impact

41. The expected output of the project is an International Standard on Sustainability Assurance. In line with the PIF's qualitative characteristics used to describe the assessment of a standard's responsiveness to the public interest, the qualitative characteristics to be considered when finalizing this project include whether the revised standard:
- (a) Is consistent with the identified public interest objectives set out for the project (see Section C).
  - (b) Operates coherently with the overall body of IAASB Standards.
  - (c) Has responded, as appropriate to differing circumstances, emerging issues, changes in business or public practice environments, developments in accounting practices, or changes in technology.
  - (d) Reflects the results of broad consultation and has balanced stakeholder priorities.
  - (e) Has been developed with sufficient clarity and conciseness to support proper intended application and minimize the likelihood of differing interpretations.

- (f) Is capable of being implemented effectively, and consistently applied globally.
42. The project will result in a principles-based overarching standard for assurance on sustainability reporting that is suitable for assurance engagements of all sustainability information, which may comprise a variety of topics or information disclosed about the topics and may be provided to intended users through various reporting mechanisms. Although the standard will contain application material, the standard will not provide detail on how to apply the standard to specific circumstances (e.g., how to apply the standard to certain topics, or information about those topics). The standard will aim to enhance global consistency in the performance of assurance engagements on sustainability reporting, thereby promoting quality and enhancing the reliability of sustainability reporting. Furthermore, the finalization of an International Standard on Sustainability Assurance will reduce the risk of fragmentation in assurance standards.