Agenda Item B – Assurance on Sustainability Reporting

Josephine Jackson,
IAASB Vice-Chair
Sustainability Assurance Task Force Chair

IAASB CAG Meeting
June 15, 2023
Sustainability Assurance: The team

TF MEMBERS
Josephine Jackson (Chair)
Bill Edge
Warren Maroun
Neil Morris
Isabelle Tracq-Sengeissen
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DRAFTING TEAM
Johanna Field
Susan Jones
Jamie Shannon

STAFF
Adriana Chircusi
Claire Grayston
Thokozani Nkosi
Fadi Mansour
Dan Montgomery
Focused on the Targeted Actions of the Project Proposal

Project Objective that Supports the Public Interest

To Develop an Overarching Standard

(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

(c) Implementable by all assurance practitioners

<table>
<thead>
<tr>
<th>Qualitative Standard-Setting Characteristics</th>
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<tbody>
<tr>
<td><strong>Scalability</strong></td>
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<tr>
<td>Addresses both more and less complex circumstances</td>
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<td><strong>Clarity and Conciseness</strong></td>
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<td>Enhance understandability and minimize the likelihood of differing interpretations</td>
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<td><strong>Proportionality</strong></td>
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<td>Considering the relative impact on different users</td>
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<td><strong>Implementability</strong></td>
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<td>Ability of being consistently applied and globally operable</td>
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<td><strong>Relevance</strong></td>
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<td>Responding to emerging issues, evolving needs and changes in the business environments</td>
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<tr>
<td><strong>Coherence</strong></td>
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<tr>
<td>With the overall body of standards</td>
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Progress to Date

December 2021
- Information gathering on sustainability assurance commenced

September 2022
- Project proposal approved

December 2022
- Proposed ISSA 5000 requirements and application material addressing priority areas

March 2023
- All requirements and application material

April 2023
- Introduction and Illustrative Reports

June 2023
- Target for Approval of Exposure Draft

Ongoing coordination with IESBA

Ongoing engagement with key stakeholders
April IAASB meeting - Introduction

The Introduction of proposed ISSA 5000 and related application material

- **Drafting conventions**: The Introduction and Scope sections of ISAE 3000 (Revised) and ISAE 3410 modified as appropriate for sustainability assurance engagements

- **Balance**: Achieving an appropriate balance in terms of content and length that highlights important considerations and concepts regarding the scope and applicability of the proposed standard. Not “executive summary”

- **Includes**:
  - Relationship with ISAE 3000 and 3410 – Practitioner not required to apply ISAE 3000, relationship with ISAE 3410 when a GHG statement is included as part of the overall sustainability information presented
  - Sustainability information - not all sustainability information reported is necessarily in scope of the engagement
  - Guidance on “at least as demanding” in respect to the IESBA Code and ISQM1
## Illustrative Assurance Reports

### Draft illustrative reports

- **Illustration 1**: Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria
- **Illustration 2**: Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- **Illustration 3**: Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

### Since April IAASB meeting

- **Added Illustration 4**: Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- **All illustrative reports** reflect the basic content elements and provide a more generic “template” for reporting certain matters
Definitions - Update

### Sustainability Matters
- **Topics**
- **Aspects of topics**

### Sustainability Information
- **Information about sustainability matters**
- **Disclosures**
  - Specific information related to an aspect of a topic

### Sustainability Disclosures

<table>
<thead>
<tr>
<th>Aspects of Topics</th>
<th>Topics</th>
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<tbody>
<tr>
<td></td>
<td>Climate, including emissions</td>
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<tr>
<td>Governance</td>
<td>X</td>
</tr>
<tr>
<td>Risks and opportunities</td>
<td>X</td>
</tr>
<tr>
<td>Metrics and KPIs</td>
<td>X</td>
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</tbody>
</table>
Materiality - Update

- Further guidance was added on matters related to materiality (double materiality – multiple materiality)
- The definition of Sustainability Matters recognizes the dual focus inherent in the concept of “double materiality”
- An example was added to reference “financial materiality” and “impact materiality”
- Clarification that there may be more than one materiality for the same assurance engagement
Other Matters - Exposure Period, Timing of Completion and Proposed Implementation Period

- **Exposure Period, Timing of Completion and Proposed Implementation Period**

  - Latest August 1st, 2023
  - ED Issued
  - Comment letters
  - End of comment period
  - December 2023
  - September 2024
  - Final Pronouncement
  - Implementation period
  - 18 months after approval with early application allowed

  **Comment letters**
  - 120 days

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Other Matters - Outreach

Roundtables

Key Stakeholders
On-going engagement

Engagement opportunities
Existing jurisdictional events and targeted engagement following roundtables

Virtual awareness raising and information sharing
Explanatory Memorandum – Matters to include

➢ Background and objectives of the project
➢ Premised on Ethics and Quality Management
➢ Key terminology used
➢ How priority areas were addressed
  ✓ Differentiation of reasonable and limited assurance work effort, both risk and response
  ✓ Materiality
  ✓ Suitable criteria
  ✓ Appropriate scope of the engagement
  ✓ Relevant and reliable evidence
  ✓ System of internal controls
➢ How other key areas were addressed
  ✓ Using the work of others – experts and other practitioners
  ✓ The entity’s process to prepare the sustainability information
  ✓ Sufficient appropriate evidence for estimates and forward-looking information
  ✓ The practitioner’s responsibilities for other information
  ✓ Assurance engagements for groups or “consolidated” sustainability information
➢ Matters to be addressed in the future suite of ISSAs
Way forward

June 2023
Target for Exposure Draft (ED) Approval

End of Jul to Early Dec 2023
Comment period for ED

H2 2024
Approval of final standard

Broad global stakeholder outreach during the ED period

Ongoing engagement with key stakeholders
Representatives are asked for views on the ED presented in Agenda Items B.2, B.3 and B.4 that will be presented to the IAASB for approval at the June 2023 meeting.
Representatives are asked whether there are any other matters that the SATF should consider for the Explanatory Memorandum.