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

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

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

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

- Complete assurance solution
- Address broad range of topics / information / reporting standards / mechanisms of reporting
- Timely and responsive

Start with what we have:
- ISAE 3000 (Revised)
- ISAE 3400, ISAE 3402 ISAE 3410
- Sustainability / EER Guidance
- ISAs
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

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