

Proposed ISSA 5000¹ – Cover Note

Objective of the Discussion

The objective of the IAASB discussion in December 2023 is to:

- Provide the Board with an update on the global outreach conducted to gather feedback on the exposure draft of proposed ISSA 5000 (ED-5000) and share the overall themes of the feedback obtained.
- Receive an update on the International Ethics Standards Board for Accountants' (IESBA) sustainability project and the parallel project addressing the use of experts.

Introduction

1. In June 2023 the IAASB unanimously approved proposed ISSA 5000 for exposure. ED-5000 was subsequently released on August 2, 2023 for a 120-day comment period. The documents published comprised:
 - (a) [ED-5000](#)
 - (b) [The Explanatory Memorandum](#) for ED-5000
 - (c) [The Response Template](#) for ED-5000
2. Shortly afterwards, the IAASB released a [stakeholder survey](#) targeted at stakeholders who may not ordinarily respond to IAASB consultations.

Structure of the IAASB Discussion

3. The IAASB discussion will comprise the following:

	Approximate timing
Update on Global Outreach for ED-5000, including feedback themes <ul style="list-style-type: none"> - Josephine Jackson, IAASB Vice-Chair & Sustainability Assurance Task Force (SATF) Chair - Sustainability Assurance staff 	20 minutes
Board reflections on feedback and discussion	30 minutes
IESBA update on sustainability and experts projects <ul style="list-style-type: none"> - Ken Siong, IESBA Program and Senior Director 	10 minutes

¹ Proposed International Standard on Sustainability Assurance (ISSA) 5000,TM *General Requirements for Sustainability Assurance Engagements*

Approximate timing	
Board questions and discussion on IESBA projects	30 minutes

Resources Developed for ED-5000

4. Following the release of ED-5000, IAASB staff and members of the SATF developed educational materials to assist stakeholders in navigating the standard and developing their responses. These resources include:
 - (a) [Frequently asked questions on ISSA 5000](#).
 - (b) [Frequently asked questions on Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner](#).
 - (c) A series of global webinars in different time zones:
 - (i) [September 6, 2023](#)
 - (ii) [September 7, 2023](#)
 - (iii) September 28, 2023 hosted by IFAC and Jeju Group
5. These materials, along with ED-5000, the Explanatory Memorandum and explanations within the stakeholder survey, were used to inform participants attending the roundtables and related outreach.

Outreach on ED-5000

Roundtables

6. Roundtables were conducted in the following locations:
 - (a) Global roundtables hosted by regulators or standard-setters:
 - (i) North America, held in New York, hosted by the IAASB
 - (ii) ASEAN region, held in Kuala Lumpur, hosted by the Securities Commission Malaysia
 - (iii) Europe and the UK, held in Brussels, hosted by the Financial Services and Markets Authority Belgium and the Belgian Audit Oversight Board
 - (iv) South America, held in Sao Paulo, hosted by Comissão de Valores Mobiliários (CVM)
 - (b) Regional roundtables in partnership with a national regulator or standard-setter:
 - (i) Japan, held in Tokyo, hosted by the Japanese Financial Services Agency
 - (ii) Australia and New Zealand, held in Sydney, hosted by the Australian Auditing and Assurance Standards Board
 - (iii) South Africa, held in Johannesburg, hosted by the University of the Witwatersrand
 - (iv) Canada, held in Toronto, hosted by the Auditing and Assurance Board Canada

7. A total of 210 organizations were represented by over 500 participants at the roundtables. The complete list of organizations is available here: [Attendees at Proposed ISSA 5000 Sustainability Assurance Roundtables](#).
8. Representatives from the International Organization of Securities Commissions (IOSCO) attended the roundtables (except for two of the regional in-partnership events), providing introductory comments and hearing the feedback on ED-5000 directly from stakeholders.

Targeted Outreach

9. The IAASB also continued its ongoing outreach with key global stakeholders, including IOSCO, International Forum of Independent Audit Regulators, Financial Stability Board, International Sustainability Standards Board, Global Reporting Initiative, European Commission, Committee of European Auditing Oversight Bodies, and the Forum of Firms.
10. In addition to the ongoing outreach activities, IAASB Board members and staff met with other key stakeholders in several regions before or after the roundtables to discuss sustainability reporting and assurance developments in the region and obtain insights from these stakeholders about ED-5000.
11. IAASB members, including but not limited to the SATF members and IAASB staff, also presented at an array of forums, conferences and webinars on ED-5000.

Reference Groups

12. The IAASB staff held two meetings with the Reference Groups since the June 2023 IAASB meeting. The objectives of these meetings were:
 - (a) August: To share the global outreach plan and discuss ways the Reference Groups could support the IAASB in reaching out to key stakeholder groups. Reference Group members provided introductions to key stakeholders and participated in roundtables in their region.
 - (b) November: To conduct mini-roundtables with the Reference Groups to capture feedback from those who could not participate in the global roundtables or had further reflections.

Feedback from Outreach

13. At the roundtables and other outreach events, stakeholders expressed significant support and appreciation for the rapid speed of development of ED-5000, and positive feedback that:
 - (a) ED-5000 provides a global baseline for robust assurance on sustainability information across a broad range of engagements.
 - (b) The fundamental premises in ED-5000 regarding relevant ethical requirements and the firm's system of quality management are important in underpinning the quality and consistency of sustainability assurance engagements, albeit with some questions and uncertainty about the meaning and application of "at least as demanding," as noted below.
 - (c) ED-5000 is a stand-alone standard that covers the entire engagement from end-to-end for both limited and reasonable assurance engagements.
14. The main themes that emerged from the outreach were:
 - (a) The **entity's "materiality process"** needs further consideration, such as guidance on the practitioner's evaluation or assessment of the process, with a focus on completeness (i.e., that

all material information that should be disclosed has been disclosed). Roundtable participants also suggested consideration of a conditional requirement to evaluate the entity's materiality process.

- (b) The **practitioner's materiality** needs to be addressed in greater detail, including the application of materiality for qualitative disclosures, multiple materialities and performance materiality.
 - (c) More guidance on the concept of "**at least as demanding**" with respect to relevant ethical requirements and quality management requirements.
 - (d) Additional requirements and guidance for **group sustainability assurance engagements**, particularly for timely communications between the engagement team and others involved in the engagement.
 - (e) The **relationship between ISAE 3410² and ED-5000**, including additional clarity about when ISAE 3410 applies.
 - (f) More guidance on obtaining evidence for **estimates, forward-looking information and information from the value chain**, including practitioner actions when there are difficulties in obtaining sufficient appropriate evidence.
 - (g) Clarification of the **work effort for a limited assurance engagement**, including that a risk assessment for limited assurance may be more appropriate.
 - (h) The need for a requirement for **communication between the practitioner conducting the sustainability assurance and the financial statement auditor**, unless prohibited by law or regulation.
 - (i) A wide range of views on various other matters, including:
 - (i) How the practitioner's work on **fraud** and error addresses the concept of "greenwashing" or other types of washing (e.g., social washing).
 - (ii) Calls for a clearer approach to the **use of experts and other practitioners**.
 - (iii) That the equivalent to **Key Audit Matters** would be valuable information for users for reasonable assurance engagements, but wide acknowledgment that a requirement for such communication may need to be deferred until sustainability reporting and assurance has further matured.
15. The need for **first time implementation guidance** (or a "Get Started Guide") was raised in all of the roundtables. Examples of matters that could be covered in this guidance included:
- (a) Explaining equivalent terms that may be used by other professions to support use by all assurance practitioners.
 - (b) Navigation aid for the standard – a diagram, flowchart or some other means of explaining the structure of the standard.

² ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

- (c) Further examples to illustrate more challenging matters, such as considering materiality for qualitative information, gathering evidence from the value chain and obtaining evidence in support of forward-looking information.

IESBA-IAASB Liaison on Sustainability-Related Projects

- 16. The IAASB has been in close liaison with the IESBA throughout the development of ED-5000 and has continued staff level liaison during the ED-5000 comment period.
- 17. The IESBA is undertaking two sustainability-related projects, as follows:
 - (a) Sustainability, comprising two work streams:
 - (i) Workstream 1: Independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements).
 - (ii) Workstream 2: Ethics provisions for professional accountants with respect to sustainability reporting, and ethics provisions for all sustainability assurance engagements.
 - (b) Use of experts, to address ethics and independence provisions considerations for the use of an external expert, including for audit and assurance engagements.
- 18. The exposure drafts for amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) arising from these projects will be presented to the IESBA for approval at its [December meeting](#), as follows:
 - (a) Agenda Item 4 Use of Experts
 - (b) Agenda Item 5 Sustainability – Workstreams 1 and 2
- 19. Co-ordination between the IAASB and IESBA has centered on the following crossover issues:
 - (a) Terms and definitions used and how they interact, including the following terms: sustainability information, sustainability matters, engagement team, practitioner, groups, components and value chain.
 - (b) The applicability of independence versus objectivity when using the work of another practitioner or an expert in a sustainability assurance engagement.
 - (c) Information drawn from the value chain for sustainability information reported.
- 20. Ken Siong, Program and Senior Director – IESBA, will present to the IAASB on the status of the projects and matters of relevance to ED-5000.

Appendix

Sustainability Assurance Task Force (SATF) Members and Activities

SATF Members

1. Information about the SATF members and the project can be found [here](#).

SATF Activities since the June 2023 IAASB Meeting

2. The SATF did not hold any meetings since the June 2023 IAASB meeting, as the SATF members were occupied in contributing to the extensive program of global outreach. SATF Chair and Staff have held a number of meetings to plan and co-ordinate webinars and roundtables. SATF members presented at the IAASB's global webinars and global roundtables, as well as playing leading roles in the planning and co-ordination of these webinars and roundtables.