

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: New York, United States of America

Meeting Dates: September 12–13, 2023

Agenda Item B

Assurance on Sustainability Reporting – Cover and Report Back

Objective of Agenda Item

1. The objective of this Agenda item is to report back on the Representatives' comments made at the June 2023 IAASB CAG meeting.

Project Status

2. The exposure draft of [proposed International Standard on Sustainability Assurance™ \(ISSA\) 5000, General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to other IAASB Standards \(ED-5000\)](#) was unanimously approved by the IAASB in its June 2023 meeting and was published for exposure on August 2, 2023. The 120-day comment period ends on December 1, 2023. ED-5000 is intended to be read along with the separate Explanatory Memorandum (EM).
3. The **Appendix** to this paper provides a history of previous discussions with the CAG and the IAASB on this topic, including links to the relevant CAG documentation.

Way Forward

4. The IAASB is planning extensive outreach with global stakeholders during the exposure period. This includes four global roundtables (New York, Brussels, Kuala Lumpur and Sao Paulo) and four regional in-partnership events (Tokyo, Sydney, Johannesburg, Toronto), webinars, videos and other awareness materials, and direct meetings with individual stakeholders.
5. After the close of the exposure period, IAASB staff and the Sustainability Assurance Task Force (SATF) will analyze the comments received. The SATF will present a summary of respondents' comments, along with other feedback received (e.g., from the roundtables, stakeholder survey, other outreach) to the IAASB in March 2024.

IAASB CAG Discussion in September 2023

6. In addition to the report back from the June 2023 CAG meeting, the Representatives will participate in a "mini roundtable" discussion patterned after the global and regional roundtable events. **Agenda Item B.1** describes the approach for this session.

Report Back

7. Extracts from the June 2023 IAASB CAG meeting minutes relevant to assurance on sustainability, as well as an indication of how the Task Force or the IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	SATF / IAASB Response
OVERARCHING COMMENTS	
<p>Ms. Blomme and Mr. Thompson expressed their support for the timeline of proposed ISSA 5000, which works for Europe as 2024 will be the first year of mandatory sustainability assurance (limited assurance engagements for the largest companies to be performed in 2025). Ms. Blomme also added that although some stakeholders might have high or very high expectations, this is the start of a journey and it would be good for this to be noted in the EM.</p>	<p>Support noted.</p> <p>Ms. Jackson agreed with Ms. Blomme's comment and explained that the EM will recognize that there may be the need for more specificity in the future, which could be related to engagement performance, including topics such as materiality, or on specific sustainability matters.</p>
<p>Ms. Blomme acknowledged that this is an overarching standard, principles-based and not rule-based, but pointed out that practitioners will want more, and that professional judgment should be applied. She further mentioned that IAASB should be prepared to get extensive comments during the exposure period.</p>	<p>Point noted.</p> <p>Ms. Jackson acknowledged that extensive comments will be received and reinforced that the IAASB is encouraging all stakeholders to provide their comments.</p>
<p>Mr. Thompson emphasized that the final standard should be fit for purpose for all jurisdictions and also fit for purpose for many SMEs that stand to be affected in due course, especially through the effect of the impact materiality pushing down through the value chain.</p>	<p>Point noted.</p> <p>As explained in paragraph 14 of the EM, the IAASB developed ED-5000 on the basis that it can be applied for all sustainability topics and reporting mechanisms, any suitable criteria, all intended users, limited and reasonable assurance, and use by all assurance practitioners.</p>
<p>Mr. Thompson raised a concern about scalability, but noted that he is pleased to see that this is mentioned in the issues paper and also in the standard. Further, he is pleased to hear that IAASB is making efforts to address scalability, such as the CUSP review and the assurance report examples that include non-listed or non-public interest entities, but asked if the IAASB</p>	<p>Point noted.</p> <p>Ms. Jackson responded that this will be taken into consideration in developing the EM.</p> <p>ED-5000 (paragraph 13) addresses the scalability of the proposed standard. See also paragraphs 133-134 of the EM.</p>

Representatives' Comments	SATF / IAASB Response
can briefly explain how scalability has been considered in the draft standard.	
Mssrs. Ishiwata and Thompson expressed their support for an extensive outreach with a wide range of stakeholders covering all regions, all markets, including emerging and developing markets, SMEs and their assurance providers. Mr. Thompson further expressed his availability to help with outreach, particularly in Europe.	Support noted. As described in paragraph 4 above, the IAASB is planning extensive global outreach during the exposure period.
Mr. Ruthman suggested that IAASB should have space in the work plan to cover areas that would require a more in-depth treatment.	Point noted. Ms. Jackson noted that, based on stakeholder input, IAASB may determine that such areas are best addressed through non-authoritative guidance or as part of a future series of ISSAs.
Mr. Ruthman expressed a concern about understandability as different existing standards were used in building ISSA 5000. He suggested a final comparison with existing standards, perhaps as part of the CUSP review (e.g., to look for similarities and differences with existing standards or existing concepts described in standards to ensure that any differences in wording are intentional). Mr. Yurdakul mentioned that the use of long sentences will create issues during translations and suggested that IAASB should consider making them much simpler.	Point noted. Ms. Jackson mentioned that Mr. Ruthman's concern is mitigated as a CUSP review in progress that will address understandability issues. In addition, the SATF included several experts who understand the core concepts very well. The CUSP review was completed and key comments and suggestions were incorporated in ED-5000.
COMMENTS ON SPECIFIC AREAS OF THE PROPOSED STANDARD	
Mr. Sobel supported the ISSA 5000 definitions of sustainability matters and sustainability information. Messrs. Sobel and Yurdakul added that the IAASB should make sure that the definition aligns with those used by others, such as ISSB and IESBA, in order to avoid any confusion. Ms. Blomme added that the definition of sustainability matters will not be so critical as practitioners in Europe will be clear on what they need to report on.	Points noted, including the support for the proposed definitions. Ms. Jackson explained that in arriving at the definitions in ISSA 5000 the IAASB considered definitions of other standard setters but also noted that the standard is intended to be framework neutral. See also paragraphs 27-34 of the EM.

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<p>Ms. Altbaum raised a question on what approach should be taken by the assurance provider in the context of the definition of "fair presentation criteria," which states that management has to deviate from the requirement of the framework in order to achieve a fair presentation of sustainability information.</p>	<p>Point noted.</p> <p>Ms. Jackson noted that if additional disclosures are necessary to achieve fair presentation, it is management's responsibility to ensure such disclosures are included in the sustainability report. Ms. Jackson further explained that if the practitioner identifies the need for additional sustainability disclosures, the practitioner will need to discuss this with management, just as would be done in a financial statement audit.</p> <p>See also paragraphs 41-42 of the EM.</p>
<p>Mr. Yurdakul suggested that the documentation paragraphs should be brought together and also to clarify that when verbs such as "to consider," "to assess" or "to evaluate" are used the practitioners should document those actions.</p>	<p>Point noted.</p> <p>The SATF will further consider this when considering respondents' comments on ED-5000.</p>
<p>Mr. Ishiwata expressed concern regarding the requirements related to ISQM 1¹ but was supportive of paragraph A3 that allows room for jurisdictions to determine what is "at least as demanding." Although he considers that a quality management system is important in order to ensure a high quality assurance engagement, he added that certain transition relief should be considered in order to make ISSA 5000 work as a truly profession-agnostic standard. Mr. Ishiwata considers this to be a pragmatic response to rapidly increasing demands on practice.</p>	<p>Point noted.</p> <p>Ms. Jackson explained that currently the IAASB assurance standards are based on the premises of ISQM 1. Furthermore, she mentioned that the regulatory community and other IAASB stakeholders have clearly noted that ISSA 5000 should be underpinned by a quality management system. Ms. Jackson reiterated that ISSA 5000 does not mandate the use of ISQM 1, but instead ISQM 1 or any other system of quality management that is "at least as demanding."</p> <p>See also paragraphs 23-26 of the EM.</p>
<p>Mr. Ishiwata commented that additional revisions may be needed to ISAE 3410² given the requirement in paragraph 9 of ISSA 5000 that when a greenhouse gas (GHG) statement is the only sustainability information, ISAE 3410 is applied.</p>	<p>Point noted.</p> <p>ED-5000 (paragraph 2) states that this ISSA applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a (GHG) statement, in</p>

¹ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

Representatives' Comments	SATF / IAASB Response
	which case ISAE 3410 applies. See also paragraphs 19-22 of the EM.
<p>Ms. Blomme drew attention to the fact that there might be comments on the differentiation between limited and reasonable assurance in areas where people consider that there should not be any difference (e.g., risk assessment) or in other areas where people will expect differences and there are not.</p>	<p>Point noted.</p> <p>See also paragraphs 45-47 of the EM.</p>
<p>Ms. Altbaum noted that the requirements related to materiality are very useful and relevant. She suggested a further addition similar to ISA 330, paragraph 18, which provides that, irrespective of the assessed risk of material misstatement, the auditor shall design and perform substantive procedures for each material class of transaction, account balance, and disclosure.</p> <p>Ms. Meng also noted support for the materiality examples provided in the standard.</p>	<p>Support noted.</p> <p>Ms. Jackson noted that Ms. Altbaum's point will be considered further by the SATF. The IAASB also raised a similar point in June. The SATF agreed that such a requirement should be added to ED-5000 for reasonable assurance engagements only as there is no requirement for the practitioner to assess the risks of material misstatement for a limited assurance engagement. See ED-5000 paragraph 127R.</p>
<p>Ms. Blomme raised the concern that practitioners might not have sufficient requirements to support very difficult discussions regarding qualified assurance conclusions and potential reports with disclaimers. She envisages that those types of reports will be frequent in the first years of mandatory reporting in Europe. Mr. Thompson asked if this situation can be reflected in the assurance report examples.</p> <p>Mr. Suzuki noted that the illustrative reports presented in Appendix 2 are very helpful for practitioners, but appear to be very detailed templates and may be difficult to be applied by non-audit firms. Therefore, he considers that more flexibility should be allowed.</p> <p>Mr. Ishiwata added that in order to achieve greater transparency the assurance reports should contain additional areas such as the use of experts. Nevertheless, those points could be addressed in a question in the EM.</p>	<p>Points noted.</p> <p>The IAASB acknowledged that assurance reports with qualified conclusions could be more prevalent in the first years of mandatory reporting in Europe. ED-5000 includes an illustrative example of a modified limited assurance report on sustainability information of a non-listed entity prepared in accordance with compliance criteria (see Illustration 4 in Appendix 2 of ED-5000). Also see paragraphs 128-131 of the EM.</p> <p>The IAASB discussed that illustrative examples containing just the basic content of the required reporting elements in ED-5000 (see paragraphs 170-171 of ED-5000) would reduce inconsistency in practice. Nevertheless, in addition to the basic elements described in paragraph 170 of ED-5000, the practitioner may decide to include additional information in the assurance report (see paragraph A490 of ED-5000)</p> <p>Regarding the use of experts, ED-5000 (paragraph A494) indicates that, in some cases, law or regulation</p>

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	<p>may require a reference to the work of a practitioner's expert in the assurance report, for example, for the purposes of transparency in the public sector. If the practitioner refers to the work of a practitioner's expert in the assurance report, ED-5000 (paragraph 172) requires that the wording of the report shall not imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert.</p>
<p>Mr. Ruthman noted that there are no concerns with respect to the public sector other than to note that paragraph A353R, would apply to all forms of engagements, not just public sector entities.</p>	<p>Point accepted.</p> <p>Ms. Jackson responded that the SATF will address this point. The SATF agreed that paragraph A353R in the June 2023 draft was not specific to the public sector. Therefore, the paragraph was deleted in ED-5000 as the point was addressed in other application material related to assertions.</p> <p>See also paragraph 135 in the EM regarding input from public sector stakeholders.</p>
MATTERS AND QUESTIONS TO BE CONSIDERED IN THE EXPLANATORY MEMORANDUM	
<p>Mrs. Meng suggested the SATF consider including questions in the EM asking stakeholders to comment on the applicability of standards by all professionals who wish to provide assurance on sustainability information. She added that there may be a need for specific questions in certain areas requiring judgment, such as materiality and risk assessment.</p>	<p>Points noted.</p> <p>As noted previously, and as explained in paragraph 14 of the EM, the IAASB developed ED-5000 on the basis that it can be used by all assurance practitioners. Question 1 in the EM asks respondents whether they agree that that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 to provide a global baseline for sustainability assurance engagements. Respondents are requested to provide specifics about each of the items.</p> <p>The EM also includes questions related to materiality and risk procedures for a limited assurance engagement (see Questions 12 and 17 in the EM).</p>
<p>Ms. Blomme added that the points that she noted previously should be addressed in the EM. She added that openness regarding further material, new standards or future revisions is something that will be well received by stakeholders.</p>	<p>Points noted.</p> <p>Ms. Jackson mentioned that all the points are very helpful in preparing the EM.</p>

Representatives' Comments	SATF / IAASB Response
AREAS WHERE FURTHER IMPLEMENTATION GUIDANCE MIGHT BE REQUIRED	
<p>The Representatives noted the following areas for which further implementation guidance might be required, as the standard is meant to be profession-agnostic and some assurance providers will not be familiar with some concepts:</p>	<p>Points noted.</p>
<ul style="list-style-type: none"> Materiality, and the possibility of multiple materialities (Mr. Ishiwata and Ms. Bloom). 	<p>The SATF is planning to develop frequently asked questions or other materials (e.g., a short white paper) to address various aspects of materiality. This may include the entity's "materiality process," the notion of "double materiality," multiple materialities, and the difference between the entity's "materiality process" and the practitioner's materiality. See also paragraphs 52-55, 59-60 and 65-74 in the EM.</p>
<ul style="list-style-type: none"> Assurance over group sustainability information (Mr. Ishiwata, Ms. Bloom and Ms. Riggs). <p>Ms. Riggs explained that this subject is important because large groups and large multinationals will be the first entities reporting on sustainability information. As this will set the stage for preparers and practitioners, an alignment with ISA 600 should be considered.</p>	<p>Ms. Jackson noted that IAASB did not take the ISA 600 route in developing proposed ISSA 5000 as ISA 600 deals with audits of consolidated financial statements. She further mentioned that ISSA 5000 captures the key principles when performing an assurance engagement in a group situation (e.g. risk identification and assessment, responses to risk, etc.) and addresses the fact that in these situations it is important for the practitioner to understand the sources of evidence, and whether there are any access issues and, if so, how to overcome that. ISSA 5000 also addresses the interaction with other practitioners, including whether the practitioner will be able to direct, supervise and review the work of the other practitioners. The proposed standard also recognizes these points are important not just for group sustainability information, but also when the entity is reporting information about other entities along its value chain. See also paragraphs 102-107 in the EM.</p> <p>Mr. Seidenstein mentioned that there is a challenge to find the correct balance of an overarching standard and that an important consideration should be that, for example, ISA 600 is a special consideration standard and is a stand-alone standard dealing only with group audits.</p>

Representatives' Comments	SATF / IAASB Response
<ul style="list-style-type: none"> Fraud and greenwashing (Mssrs. Ishiwata, Yurdakul, and Suzuki and Ms. Riggs). <p>Mr. Suzuki expressed concern that paragraph 58 is too abstract and ISSA 5000 should prescribe procedures for fraud. Ms. Riggs further pointed to the IAASB's fraud project and the objectives, mentioning that there could be more specific requirements to promote consistent behavior regarding the identification of the risk of misstatement due to fraud and enhancing the importance of exercising professional skepticism throughout the engagement in fraud-related assurance procedures.</p>	<p>Ms. Jackson noted that there are several paragraphs in ED-5000 that provide requirements and guidance about fraud. See also paragraphs 108-110 in the EM.</p> <p>Ms. Jackson further noted that the IAASB expects comments about fraud and greenwashing during the consultation process, and the SATF will consider those comments in order to identify what needs to be strengthened.</p>
<ul style="list-style-type: none"> Connectivity between the financial statements and sustainability information (Mr. Ishiwata). Mr. Yurdakul also commented on the relationship between the practitioner and the auditor or other practitioner, or the entity's internal auditors. <p>Mr. Sobel mentioned that the Institute of Internal Auditors (IIA) is currently going through a revision of its professional practice standard and as a result various definitions will be updated.</p>	<p>Proposed ISSA 5000 addresses the relationship between the sustainability information and the audited financial statements (see ED-5000, paragraphs 11-12). ED-5000 (paragraph 55) also includes requirements when the practitioner plans to use the work of the internal audit function.</p> <p>Ms. Jackson acknowledged Mr. Sobel's point for any future alignment between IIA and IAASB definitions of internal audit function.</p>
<ul style="list-style-type: none"> Forward-looking information (Ms. Blomme and Ms. Riggs). 	<p>ED-5000 includes requirements related to estimates and forward-looking information (see paragraphs 134L/134R). See also paragraphs 94-97 of the EM.</p>
<ul style="list-style-type: none"> Sampling, considering that there will be a wide variation in practice (Ms. Riggs and Mr. Ruthman). 	<p>Ms. Jackson noted that the requirements relating to sampling were streamlined with some aspects added to application material, as ISSA 5000 is an overarching standard. The requirements related to sampling in ED-5000 (see paragraph 132) are consistent with the requirements in ISAE 3000 (Revised).³</p>

³ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Representatives' Comments	SATF / IAASB Response
<ul style="list-style-type: none">Comparative information and data reliability and relevance (Mr. Ruthman).	ED-5000 includes requirements related to estimates and forward-looking information (see paragraphs 134L/134R). See also paragraphs 94-97 of the EM.

Material Presented – IAASB CAG Papers

Agenda Item B.1

Preparation Note for the “Mini Roundtable”

Project Details and History

Project: Assurance on Sustainability Reporting

Link to IAASB Project Page: [Assurance on Sustainability Reporting](#)

Task Force Members

- Josephine Jackson, IAASB Member and Task Force Chair
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Summary

	IAASB CAG Meeting	IAASB Meeting
Information Gathering	March 2022	March 2022 June 2022
Project Proposal	September 2022	September 2022
Exposure Draft Development	March 2023 June 2023	December 2022 March 2023 April 2023 June 2023

IAASB CAG Discussions: Detailed References

Information Gathering	<u>March 2022</u> See IAASB CAG meeting material (Agenda Item G):
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Project Proposal	<p><u>September 2022</u></p> <p>See IAASB CAG meeting material (Agenda Item H)</p>
Exposure Draft Development	<p><u>March 2023</u></p> <p>See IAASB CAG meeting material (Agenda Item C)</p> <p><u>June 2023</u></p> <p>See IAASB CAG meeting material (Agenda Item B)</p>