

Proposed ISSA 5000¹ – Issues and Recommendations

Objectives of the IAASB Discussion

The objectives of this Agenda Item are to obtain the Board's input on:

- The draft introduction for proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements* as presented in **Agenda Item 1–A**.
- The draft illustrative assurance reports for proposed ISSA 5000, as presented in **Agenda Item 1-B**, comprising of: **Agenda Item 1-B.1**, **Agenda Item 1-B.2** and **Agenda Item 1-B.3**.

Materials Presented

Agenda Item	Description
1	Issues and Recommendations
1-A	Draft Introduction to Proposed ISSA 5000
1-B	Draft Appendix to Proposed ISSA 5000 – Illustrations of Independent Assurance Reports on Sustainability Information, comprising:
1-B.1	- <i>Illustration 1: Unmodified Reasonable Assurance Report</i>
1-B.2	- <i>Illustration 2: Unmodified Limited Assurance Report</i>
1-B.3	- <i>Illustration 3: Unmodified Combined Assurance Report</i>

A. Introduction

1. Since the March 2023 IAASB meeting, the Sustainability Assurance Task Force (Task Force) has developed the introduction and illustrative reports for proposed ISSA 5000, which are being presented to the Board for discussion for the first time at this virtual meeting.

Approach for the Discussion of the Agenda Items

2. The Task Force Chair will first take comments on the entirety of the draft Introduction of proposed ISSA 5000 as presented in **Agenda Item 1–A**, followed by comments on each of the illustrative reports presented in **Agenda Item 1-B**. Regarding the illustrative reports, the Task Force notes that comments on the unmodified reasonable assurance report may also apply to the other illustrative reports and therefore need not be repeated when providing comments on the other reports.

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

B. Draft Introduction of Proposed ISSA 5000

3. The Task Force considered the following in developing the draft Introduction of proposed ISSA 5000:
 - (a) The Introduction and Scope sections of ISAE 3000 (Revised)² and ISAE 3410,³ modified as appropriate for sustainability assurance engagements. References are included (highlighted in yellow) to the underlying source of paragraphs, where applicable. The Task Force plans to remove these references in the draft to be presented to the Board in June 2023.
 - (b) Comments from previous IAASB discussions noting matters that should be addressed in the Introduction, particularly regarding the scope and applicability of the proposed standard.
 - (c) 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, while avoiding repetition to the fullest extent possible and not making the Introduction an “executive summary.”
4. **Agenda Item 1-A** includes key notes to explain the Task Force rationale for including certain paragraphs or, in some cases, for excluding certain paragraphs currently in ISAE 3000 (Revised) or ISAE 3410.
5. Specific matters discussed by the Task Force in developing the draft Introduction included the following:
 - (a) *Sustainability information* – As explained in the March meeting, the Task Force is of the view that the definition of sustainability information needs to be consistent with the foundational concepts in ISAE 3000 (Revised). However, the Task Force agreed to consider ways to clarify the definition or provide a description of sustainability information, and will continue the ongoing coordination with the IESBA Sustainability Task Force to align the respective definitions or include appropriate bridge wording in proposed ISSA 5000. In this regard, the Task Force added paragraphs 2 and A1 to the draft Introduction to provide a general description of sustainability information.
 - (b) *Special purpose criteria* – Although proposed ISSA 5000 has been written in the context of sustainability information prepared using general purpose reporting criteria, Board members commented in March that the standard should also address sustainability information that has been prepared using criteria that are designed for a specific purpose (i.e., special purpose criteria). The Task Force noted that ISAE 3000 (Revised) uses a “light touch” approach to special purpose through application material (paragraph A18) acknowledging that in some cases intended users may impose a requirement or request the appropriate party(ies) to arrange for an assurance engagement to be performed for a specific purpose. ISAE 3000 (Revised) also includes a requirement and related application material regarding the assurance report in these circumstances. The Task Force took a similar approach in paragraph A10 in **Agenda Item 1-A** and will add the reporting requirement and application material to the draft standard to be presented to the Board in June.
 - (c) *Guidance on “at least as demanding”* – Board members noted in March that the proposed standard should explain the meaning of “at least as demanding” as the International Ethics

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

³ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) with respect to relevant ethical requirements or ISQM 1⁴ with respect to the firm's system of quality management. The Task Force noted that the application material in the draft of proposed ISSA 5000 discussed in March provided the explanation (see Part 2 paragraphs A2 and A15 in Agenda Item 4-C for the March 2023 meeting). However, the Task Force acknowledged the importance of clearly explaining this concept up front in proposed ISSA 5000, and therefore added application material paragraphs A3-A9 to the draft Introduction.

- (d) *Relationship with ISAE 3410* – The Task Force discussed the need for a clear and straightforward approach regarding the relationship of proposed ISSA 5000 and ISAE 3410. As described in paragraph 12 of the draft Introduction, ISAE 3410 applies in circumstances when a greenhouse gas statement is the primary sustainability information presented by the entity and is the subject of the assurance engagement and the practitioner's assurance conclusion. Paragraph 12 also indicates the circumstances in which proposed ISSA 5000 applies.

Matter for IAASB Consideration

1. The IAASB is asked for its views on the draft Introduction of proposed ISSA 5000, as presented in **Agenda Item 1-A**, including with respect to the matters discussed in **Section B** above.

C. Draft Illustrative Reports for Proposed ISSA 5000

Background

6. The IAASB discussed Part 9 – *Reporting* of proposed ISSA 5000 in March 2023 and provided comments and direction to the Task Force. Those comments will be further considered by the Task Force during the April 2023 Task Force meeting and revisions to the reporting section will be presented to the Board in June 2023.
7. The Task Force developed the Illustrative reports based on the requirements and application material in Part 9 as presented during the March 2023 Board meeting, using the illustrative reports in the EER Guidance⁵ as the base. In doing so, the Task Force noted the need for certain revisions to the reporting requirements (including possible new requirements) in proposed ISSA 5000 to align with the proposed wording in the illustrative reports. These proposed changes are identified in paragraphs 12 and 13 below.

Task Force Discussion and Recommendations

8. The Task Force discussed the types of illustrative reports that would be appropriate for an overarching standard. Although noting that numerous fact patterns will be seen in practice, the Task Force was of the view that providing examples of a report with an unmodified reasonable assurance

⁴ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements*

⁵ *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements*

conclusion (**Agenda Item 1-B.1 Illustration 1**) and a report with an unmodified limited assurance conclusion (**Agenda Item 1-B.2 Illustration 2**) would be appropriate for proposed ISSA 5000.

9. In addition, given the possibility in practice of “hybrid” reports (i.e., a reasonable assurance conclusion on certain sustainability information and a limited assurance conclusion on other sustainability information), the Task Force decided to also develop a combined example. The Task Force acknowledges that this report is long and somewhat complex and that there may be alternative formats that could be considered to improve the understandability and clarity of the report for intended users. The Task Force welcomes the Board’s views on the presentation of the combined report (**Agenda Item 1-B.3 Illustration 3**).
10. The Task Force debated whether to develop an illustrative report with a modified conclusion as there may be an increased likelihood of such reports given the evolving nature and relative immaturity of entity systems and processes for capturing and reporting sustainability information. However, the Task Force was of the view that three examples are sufficient for an overarching standard. The Task Force acknowledged that other illustrative reports could be developed in the future, and will consider comments from respondents on the exposure draft regarding the need for additional illustrative reports in the final standard.
11. The example wording in certain sections of the illustrative reports (e.g., the Emphasis of Matter in **Agenda Item 1-B.1 Illustration 1** and Summary of Work Performed in **Agenda Item 1-B.2 Illustration 2**) has been taken or adapted from the illustrative reports in the EER Guidance. The Task Force is currently working on updating the examples used throughout the proposed standard, including the illustrative reports, to reflect examples from aspects of sustainability information other than greenhouse gas emissions.
12. In developing the illustrative reports, the Task Force included some additional wording not currently reflected in the elements of the assurance report in Part 9 of proposed ISSA 5000. Some of this additional wording was taken from the EER illustrative reports but in other cases it was added for consistency with the reporting requirements in ISA 700 (Revised)⁶ (e.g., with respect to fair presentation). For example:
 - (a) The independence statement in the Basis for Opinion or Basis for Conclusion section includes the following wording related to the IESBA Code: “... which sets out fundamental principles of ethics: integrity, objectivity, professional competence and due care, confidentiality and professional behavior...”. The Task Force decided to mirror the illustrative example from the EER Guidance and also considered that this will further provide transparency for intended users.
 - (b) The first bullet in the Management Responsibilities section in Illustration 1 (**Agenda Item 1-B.1**) includes a reference to the preparation and “fair presentation” of the sustainability information. The Task Force was of the view that this addition was necessary to reflect the requirements when the sustainability reporting framework is a fair presentation framework. The Task Force noted that Part 9 paragraph 3(f)(i) would need to be updated to include a conditional requirement for fair presentation frameworks.

⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

- (c) Part 9 paragraph 3(f)(iv) requires, when appropriate, a description of any inherent limitations associated with the measurement or evaluation of the sustainability information against the applicable criteria. Consistent with the illustrative reports in the EER Guidance, the paragraph has been included in all three illustrative reports with the sub-heading “Inherent Limitation in Preparing the Sustainability Information.” The Task Force noted that Part 9 paragraph 3(f)(iv) would need to be updated to refer to the required sub-heading.
 - (d) The third bullet in the Practitioner’s Responsibilities section in all three Illustrative reports states that the practitioner evaluates “*the appropriateness of the measurement and evaluation methods and reporting policies used.*” Part 9 paragraph 3(g)(vi) would need to be updated accordingly.
 - (e) To further address consistency of the requirements for a fair presentation framework, the last bullet in the Practitioner’s Responsibilities in Illustration 1 (**Agenda Item 1-B.1**) states the following: “*Evaluate the overall presentation, structure and content of the Sustainability Information, and whether the Sustainability Information represents the underlying subject matter in a manner that achieves fair presentation.*” Part 9 paragraph 3(g) would need to be updated to include a conditional requirement for fair presentation frameworks.
13. As noted in paragraph 7 above, the Task Force will also consider the following changes to the reporting requirements in proposed ISSA 5000:
- (a) Clarifying the wording of the practitioner’s responsibilities to be included in the illustrative reports if comparative information is presented. The illustrative reports currently state that the sustainability information does not contain comparative information.
 - (b) Considering whether and, if so, how the wording of both the management and practitioner’s responsibilities sections of the assurance report should be updated in relation to forward-looking information.
 - (c) Whether to modify the first bullet in the Practitioner’s Responsibilities section to include wording similar to paragraph 39(b)(ii) of ISA 700 (Revised): “... obtaining an understanding of internal control relevant to the preparation of the Sustainability Information, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.” The Task Force also will consider addressing the impact on the reporting requirements and related application material in proposed ISSA 5000 when the sustainability reporting framework or law or regulation requires a conclusion on the design, implementation and operating effectiveness of internal control.

Matter for IAASB Consideration

- 2. The IAASB is asked for its views on the proposed Illustrative Reports, as presented in **Agenda Item 1-B.1, Agenda Item 1-B.2 and Agenda Item 1-B.3** including with respect to the matters discussed in **Section C** above.