

## Draft Introduction to Proposed ISSA 5000<sup>1</sup>

Proposed Introduction, Including Scope	Application Material	Key Notes
<b>Introduction</b>		
<p>1. This International Standard on Sustainability Assurance (ISSA) deals with assurance engagements on sustainability information. (Ref: Para. A1-A2)</p> <p><b>[ISAE 3410 para. 2]</b></p> <p>2. Sustainability information relates to information about environmental, social and governance matters, including policies, performance, plans and goals, that may be relevant to an organization's activities or impacts over the short, medium and long term. Law or regulation or sustainability reporting frameworks may also refer to specific factors related to these or other matters.</p>	<p><b>Introduction</b> (Ref: Para. 1)</p> <p>A1. Sustainability information may be described in different ways in law or regulation, sustainability reporting frameworks, or other sources. Such information is often intended to give insight into sustainability-related risks and opportunities for users to understand and evaluate the impacts of sustainability matters on the entity or the entity's actual or potential impacts, positive or negative, on people or the environment.</p> <p>A2. For purposes of this ISSA, sustainability information refers to the entirety of the sustainability-related information reported by the entity. However, not all of the information reported may be within the scope of the assurance engagement. As described in Part 3 paragraph 1, in connection with the acceptance and continuance of the assurance engagement, the practitioner is required to obtain a preliminary knowledge about the sustainability information expected to be reported, and whether the scope</p>	<p>Paragraphs 2 and A1 are intended to provide a general description of sustainability information. These paragraphs are also intended to help serve as a bridge to the current proposed IESBA Sustainability Task Force definition of sustainability information.</p> <p>Paragraph A2 was added to address Board comments suggesting that the standard clearly distinguish up front the information expected to be reported and the information subject to assurance.</p>

<sup>1</sup> International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

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	of the engagement encompasses all or part of that sustainability information.	
3. This ISSA is premised on the basis that:		
<p>(a) [PLACEHOLDER for amended requirements when IESBA requirements are revised] The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A3-A5; Part 2, Para. A1-A3)</p>	<p><b>Ethical Requirements</b> (Ref: Para. 3(a)) [PLACEHOLDER for amended application material when IESBA requirements are revised]</p> <p>A3. As explained in Part 2 paragraph A1, the IESBA Code sets out the fundamental principles of ethics that establish the standards of behavior expected of an assurance practitioner and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p> <p>A4. The IESBA Code provides a conceptual framework that is required to be applied when addressing threats to compliance with the fundamental principles, including:</p> <p>(a) Identify threats to compliance with the fundamental principles. Threats fall into one or more of the following categories:</p> <p>(i) Self-interest;</p> <p>(ii) Self-review;</p>	<p>Paragraphs A3 and A5 refer to application material in Part 2 but do not repeat those paragraphs in their entirety.</p> <p>The Task Force is of the view that this approach is helpful and that some amount of repetition is acceptable to clearly explain these important foundational premises of proposed ISSA 5000, particularly for assurance providers who are not professional accountants. An alternative is to include the application material here and simply cross-reference these paragraphs to the relevant requirements in Part 2.</p>

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	<p>(iii) Advocacy;</p> <p>(iv) Familiarity; and</p> <p>(v) Intimidation;</p> <p>(b) Evaluate whether the threats identified are at an acceptable level; and</p> <p>(c) If the identified threats to compliance with the fundamental principles are not at an acceptable level, addressing them by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.</p> <p>[ISAE 3000 (Revised), para. A31]</p> <p>A5. Part 2 paragraph A2 explains that other professional requirements, or requirements in law or regulation, are at least as demanding as the provisions of the IESBA Code related to assurance engagements when they address all the matters referred to in the IESBA Code and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements.</p>	

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<p>(b) The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1,<sup>2</sup> or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1. (Ref: Para. A6-A9, Part 2 Para. A13-A18)</p> <p>[ISAE 3000 (Revised), para. 3]</p>	<p><b>Quality Management</b> (Ref: Para. 3(b))</p> <p>A6. As explained in Part 2 paragraph A13, this ISSA has been written in the context of a range of measures taken to ensure the quality of assurance engagements. Such measures include a system of quality management implemented across the firm.</p> <p>A7. Part 2 paragraph A14 explains the responsibilities of the firm to design, implement and operate a system of quality management for assurance engagements, and describes the components addressed by such a system.</p> <p>A8. As explained in Part 2 paragraph A15, other professional requirements, or requirements in law or regulation that deal with the firm's responsibilities to design, implement, and operate a system of quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.</p> <p>A9. In accordance with ISQM 1, the objective of the firm is to design, implement and operate a system</p>	<p>The Task Force included paragraph A9 to describe the objective of ISQM 1 (modified slightly to streamline the wording) to provide additional context to the point in paragraph A8 that a system of quality management is "at least as demanding" as ISQM 1 when it addresses the requirements of ISQM 1 and imposes obligations on the firm to achieve the objective of ISQM 1.</p>

<sup>2</sup> 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*

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	<p>of quality management that provides the firm with reasonable assurance that:</p> <ul style="list-style-type: none"> <li>(a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and</li> <li>(b) Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.</li> </ul>	
<p>4. Quality management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. If a practitioner chooses to represent compliance with this or other ISSAs, it is important to recognize that this ISSA includes requirements that reflect the premises described in paragraph 3.</p> <p>[ISAE 3000 (Revised), para. 4]</p>		
Scope of this ISSA	Scope of this ISSA (Ref: Para. 5-10)	

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<p>5. This ISSA includes preconditions for the acceptance or continuance of a sustainability assurance engagement, including with respect to the suitability and availability of criteria. Criteria may be either framework criteria (e.g., criteria embodied in law or regulation or issued by authorized or recognized bodies of experts that follow a transparent due process) or entity-developed criteria. Framework criteria may be either fair presentation criteria or compliance criteria (see Definitions paragraph 1(f)). (Ref: Para. A10)</p>	<p>A10. In some cases, certain intended users (for example, bankers or regulators) impose a requirement on, or request the appropriate party(ies) to arrange for an assurance engagement to be performed on sustainability information that has been prepared using criteria that are designed for a specific purpose. When engagements use criteria that are designed for a specific purpose, Part 9 paragraph X requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report (see Part 9 paragraphs AX–AY). [ISAE 3000 (Revised), para. A18]</p>	<p>The Task Force will discuss an additional requirement in Part 9 to include a statement in the assurance report, when appropriate, alerting users to the fact that the applicable criteria are designed for a specific purpose, and that, as a result, the Sustainability Information may not be suitable for another purpose. In addition, the Task Force will discuss whether application material is needed to explain that when the practitioner considers it appropriate to indicate that the assurance report is intended solely for specific users, this may be achieved by restricting the distribution or use of the assurance report.</p>
<p>6. This ISSA deals with both reasonable and limited assurance engagements. Unless otherwise stated, each requirement of this ISSA applies to both reasonable and limited assurance engagements. See also Part 1 paragraph 4. [ISAE 3410, paras. 6 and 8]</p>		<p>Paragraph 8 of ISAE 3410 also explains the “L” and “R” designations. The Task Force was of the view that it would be better to simply refer to Part 1 para. 4 where that is explained.</p>
<p>7. This ISSA applies for all types of sustainability information, regardless of the manner in which</p>	<p>A11. The sustainability information presented by an entity may be limited to certain matters, such as</p>	

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<p>that information is presented. Paragraph 12 describes the applicability of this ISSA when the sustainability information includes a greenhouse gas (GHG) statement. (Ref: Para. A11-A12)</p>	<p>metrics, targets or key performance indicators. Alternatively, the sustainability information may include more comprehensive disclosures about many different topics or aspects of topics as required by the sustainability reporting framework or by law or regulation, or that the entity chooses to present.</p> <p>A12. Such information may be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (e.g., a separately identified report within the annual report, or presented as part of the management report or management commentary) or in an integrated report. Depending on the applicable criteria, the sustainability information may be for a single entity, or may include information for entities that are part of a group or other entities in the reporting entity's value chain.</p>	
<p>8. The <i>International Framework for Assurance Engagements</i> notes that an assurance engagement may be either an attestation engagement, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria, or a direct engagement, in which the practitioner measures or evaluates the underlying subject</p>		

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<p>matter against the criteria. This ISSA deals only with attestation engagements.</p> <p>[ISAE 3410, para. 5]</p>		
<p>9. Not all engagements performed by practitioners are assurance engagements as defined in Definitions paragraph 1(b). For example, consulting or advisory engagements are not assurance engagements and therefore are not covered by this ISSA. (Ref: Para. A13)</p> <p>[ISAE 3000 (Revised), para. 6]</p>	<p>A13. In a consulting engagement, the practitioner applies technical skills, education, observations, experiences, and knowledge. Consulting engagements involve an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. The nature and scope of work is determined by agreement between the practitioner and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.</p> <p>[ISAE 3000 (Revised), para. A1]</p>	<p>The Task Force did not add a paragraph similar to paragraph 5 of ISAE 3000 (Revised) as that point is already addressed in Part 1 paragraph 1 (which will be revised to align more closely with paragraph 14 of ISAE 3000 (Revised)).</p> <p>The Task Force also did not add a paragraph similar to paragraph 8 of ISAE 3000 (Revised) as it did not seem necessary for purposes of proposed ISSA 5000.</p>
<p>10. An assurance engagement performed under this ISSA may be part of a larger engagement. In such circumstances, this ISSA is relevant only to the assurance portion of the engagement.</p> <p>[ISAE 3000 (Revised), para. 7]</p>		<p>The Task Force was of the view that paragraph 10 is relevant to sustainability assurance engagements. For example, there could be a larger engagement that includes both a readiness component for the entity as well as assurance on the sustainability information.</p>



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<i>Relationship with ISAE 3000 (Revised)<sup>3</sup> and ISAE 3410<sup>4</sup></i>		
11. This ISSA is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not also required to apply ISAE 3000 (Revised) when performing the engagement.		The Task Force considered the positioning of paragraphs 11 and 12 but concluded that they should be part of the Scope section and positioned in a manner similar to ISAE 3410.
12. ISAE 3410 applies in circumstances when a GHG statement is the primary sustainability information presented by the entity and is the subject of the assurance engagement and the practitioner's assurance conclusion. This ISSA applies when: (Ref: Para. A14-A15)  (a) GHG information other than a GHG statement is included as part of the overall sustainability information presented; or  (b) The GHG statement is a relatively minor part of the overall sustainability information presented and covered by the	<i>Relationship with ISAE 3410</i> (Ref: Para. 12)  A14. ISAE 3410 defines a GHG statement <sup>5</sup> as a statement setting out constituent elements and quantifying an entity's GHG emissions for a period (sometimes known as an emissions inventory) and, where applicable, comparative information and explanatory notes, including a summary of significant quantification and reporting policies. An entity's GHG statement may also include a categorized listing of removals or emissions deductions.	The Task Force noted that ISAE 3410 does not have application material describing "a relatively minor part of the overall information." The Task Force was of the view that this is a matter of professional judgment for the practitioner in the circumstances of the engagement and therefore added paragraph A16.

<sup>3</sup> ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>4</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>5</sup> ISAE 3410, paragraph 14(m)

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<p>practitioner's assurance conclusion. (Ref: Para. A16)</p> <p>[ISAE 3410, para. 3]</p>	<p>A15. If a small amount of other sustainability-related information is included within the GHG statement, ISAE 3410 still applies.</p> <p>A16. Whether a GHG statement is a relatively minor part of the overall sustainability information presented is a matter of professional judgment for the practitioner in the circumstances of the engagement.</p>	
<i>Relationship with the Audited Financial Statements</i>		
<p>13. Certain information on sustainability-related matters may be required to be included in the entity's financial statements in accordance with the applicable financial reporting framework. Such information included in the entity's financial statements is subject to audit, in which case the International Standards on Auditing apply. (Ref: Para. A17)</p>		<p>The Task Force will discuss whether guidance may be needed in proposed ISSA 5000 when supplementary information on sustainability-related matters that is not required by the applicable financial reporting framework is included in the audited financial statements. In doing so, the Task Force will consider paragraphs 53 and 54 of ISA 700 (Revised).<sup>6</sup></p>
<p>14. Sustainability information also may be presented together with the entity's audited financial statements, for example, as a part of the entity's annual report or in a separate document or documents accompanying the</p>		

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

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annual report. In these circumstances, the audited financial statements are considered other information for purposes of this ISSA.		
<i>Scalability</i>		
<p>15. This ISSA is intended for assurance engagements on sustainability information of all entities, regardless of size or complexity. However, the requirements of this ISSA are intended to be applied in the context of the nature and circumstances of the engagement. In addition, because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. (Ref: Definitions para. 1(b)(ii))</p> <p>[Last sentence - ISAE 3410, para. 8]</p>		