

**Please note: This is the IAASB Proposed ISSA 5000<sup>1</sup> Issues and Recommendations Paper that will be discussed by the Board at the June 2023 IAASB quarterly meeting (Agenda Item 2). This paper is provided to the IAASB CAG Representatives in June 2023 for reference purposes.**

## Proposed ISSA 5000 – Issues and Recommendations

### Objective of the IAASB Discussion

The objective of the IAASB discussion is to approve the exposure draft of proposed ISSA 5000. The discussion of this Agenda Item will include obtaining the Board's input on:

- The draft of proposed ISSA 5000, as presented in **Agenda Items 2–B and 2-C**, including the appendices to the proposed standard, as presented in **Agenda Item 2-F**;
- The matters discussed in Section A of this Agenda Item;
- Significant changes to the parts of proposed ISSA 5000 that were discussed with the Board in March and April 2023, as described in **Agenda Item 2-A**; and
- The conforming and consequential amendments arising from proposed ISSA 5000, as presented in **Agenda Item 2-G**.

### Structure of Proposed ISSA 5000

The SATF is presenting the requirements and application material in separate documents (**Agenda Items 2-B and 2-C**, respectively) to facilitate the Board's preparation for the June meeting, as well as to assist in the walkthrough of the proposed standard during the meeting. Each of these documents has a table of contents to help identify key sections within the standard. The appendices to the proposed standard are also being presented in a separate document (**Agenda Item 2-F**). The three separate documents will be combined into a single document following the Board's final review and vote for exposure.

### Request for Board comments in advance of the meeting

Board members are requested to communicate any significant matters to the Sustainability Assurance Task Force (SATF) Chair and Staff **by June 15, 2023**. This request is intended to assist the SATF in planning for the turnaround of the proposed standard for discussion of targeted issues on June 23, and the final turnaround in preparation for the vote for approval in the virtual meeting on June 28. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on the public record.

### Approach to the Board discussion

The SATF Chair, along with other members of the SATF and Drafting Team, will walk through **Agenda Items 2–B and 2-C**, taking comments on the requirements and related application material paragraphs in the order outlined in Appendix 2 to this paper. Appendix 2 also includes references to the related matters discussed in Section A of this paper.

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

## Introduction

1. In March 2023, the SATF presented a near-complete draft of proposed ISSA 5000. The IAASB broadly supported the SATF proposals and provided specific comments. At the conclusion of the March plenary session, the SATF summarized the matters that would be the focus of the SATF's discussions in updating the draft of the proposed standard for the June meeting. The SATF is of the view that these matters have been addressed and are reflected in the revisions to proposed ISSA 5000 as presented in **Agenda Items 2-B and 2-C**.
2. In April 2023, the SATF presented the Introduction section of proposed ISSA 5000 and related application material. The draft illustrative reports, which will be included as an appendix to the proposed standard, were also discussed. The IAASB was supportive of the matters included in the Introduction and the illustrative reports but provided comments for the SATF's consideration. The revisions made by the SATF to address the Board's comments on the Introduction are explained in Section A.1 below. The significant revisions to the illustrative reports in response to the Board's comments are explained in Section A.3 below.
3. The draft March 2023 and April 2023 IAASB meeting minutes are available in **Agenda Item 1** on the [IAASB Meetings webpage](#) (posted for approval at the June 2023 IAASB meeting).
4. This paper includes the following sections and appendices:
  - **Section A:** an explanation of key matters considered by the SATF in progressing the revisions to the draft of proposed ISSA 5000. **Agenda Item 2-A** further explains significant changes to the requirements and application material of proposed ISSA 5000 that are not addressed in Section A.
  - **Section B:** a description of the proposed conforming and consequential amendments arising from proposed ISSA 5000.
  - **Section C:** an overview of other matters relevant for the exposure draft of proposed ISSA 5000.
  - **Section D:** relevant matters for the Explanatory Memorandum to accompany the exposure draft of proposed ISSA 5000.
  - **Appendix 1:** SATF members and activities since March 2023.
  - **Appendix 2:** Walkthrough of proposed ISSA 5000 during the June meeting.

### Other Materials Presented for this Agenda Item

5. In addition to this paper, the materials presented for this Agenda Item include the following:

<b>Agenda Item 2-A</b>	Explanation of Significant Changes  <i>Explanation of significant changes to proposed ISSA 5000 since March and April 2023</i>
<b>Agenda Item 2-B</b>	Proposed ISSA 5000 – Introduction, Objectives, Definitions and Requirements (marked)  <i>Renumbered and marked from the version discussed with the Board in March 2023, except for the Introduction, which is marked from the version</i>

	<i>discussed in the April mid-quarter Board call</i>
<b>Agenda Item 2-C</b>	Proposed ISSA 5000 - Application Material (marked) <i>Renumbered and marked from the version discussed with the Board in March 2023, except for the application material to the Introduction, which is marked from the version discussed in the April mid-quarter Board call</i>
<b>Agenda Item 2-D</b>	Proposed ISSA 5000 – Introduction, Objectives, Definitions and Requirements (clean)
<b>Agenda Item 2-E</b>	Proposed ISSA 5000 – Application Material (clean)
<b>Agenda Item 2-F</b>	Appendices to Proposed ISSA 5000 <i>Appendix 1 – Sustainability Matters and Sustainability Information</i> <i>Appendix 2 – Illustrations of Independent Assurance Reports on Sustainability Information</i>
<b>Agenda Item 2-G</b>	Proposed Conforming and Consequential Amendments Arising from Proposed ISSA 5000
<b>Agenda Item 2-H (For reference purposes)</b>	Mapping of the Requirements in Proposed ISSA 5000 to Other IAASB Standards and Guidance

## Coordination Activities

### *International Ethics Standards Board for Accountants (IESBA)*

6. Ongoing coordination between IAASB and IESBA has included the following:

- IAASB-IESBA liaison members were appointed to ensure coordination between the respective Sustainability Task Forces: Isabelle Tracq-sengeissen, IAASB member, and Rich Huesken, IESBA member. Two meetings have been held since March 2023 between the liaison members and IAASB and IESBA staff.
- The IAASB staff provided an update on the development of proposed ISSA 5000 to the IESBA Board at IESBA's March 2023 meeting and gave virtual presentations at the four global sustainability roundtables held by IESBA in March and April 2023.
- From January 2023, IAASB staff have held regular liaison meetings with IESBA staff, which have been focused on addressing concepts impacting both the development of proposed ISSA 5000 and proposals to amend IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code), including:
  - Alignment of definitions, such as sustainability information, sustainability matters, engagement team, practitioner, engagement leader, and fair presentation and compliance frameworks.

- Using the work of others, including other assurance practitioners and the practitioner's external experts.
- Obtaining evidence in assurance engagements for a “group” sustainability assurance engagement and when information is reported from the value chain.
- The applicability of proposed ISSA 5000 and the Code to assurance practitioners, both professional accountants and other professionals.
- Differential assurance and ethical requirements.

#### *Reference Groups and Project Outreach Activity*

7. The SATF has continued to engage with sustainability assurance practitioners and experts through the two [IAASB Sustainability reference groups](#). The reference groups have met quarterly since they were [established](#), including once since the March 2023 IAASB meeting.
8. Members of the IAASB, Technical Advisors and Staff have continued extensive outreach activity, including with international standard setters for sustainability reporting and assurance, such as the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI). Project specific outreach is included in Appendix 1.

#### **How the Project Objectives Support the Public Interest**

9. In developing proposed ISSA 5000, the SATF considered the qualitative standard-setting characteristics set out in paragraph 32 of the project proposal and those included in the Public Interest Framework as criteria to assess the proposed standard's responsiveness to the public interest. The SATF considered the following characteristics to be most relevant to sustainability assurance engagements:
  - **Scalability** – The Task Force has sought to include requirements that can be applied to all entities, regardless of size and complexity. However, scalability is addressed in various places throughout the proposed standard, e.g., in the application material related to planning and risk procedures in **Agenda Items 2-B and 2-C**.
  - **Timeliness** – Proposed ISSA 5000 is being developed as a response to the demand for a timely standard to address the public interest need for a global baseline standard for assurance on sustainability reporting for use by all assurance practitioners. The Board agreed at the March 2023 meeting to accelerate the development of proposed ISSA 5000, while still remaining committed to developing an appropriately robust standard. Consequently, the SATF is presenting proposed ISSA 5000 for approval by the Board as an exposure draft in June 2023, rather than between the second half of 2023 to the first half of 2024, as set out in the project proposal.
  - **Relevance** – Proposed ISSA 5000 demonstrates relevance by responding to emerging and rapidly evolving demands for sustainability reporting and related assurance, as well as to changes in business environments to capture and provide information about the impacts of sustainability matters on the entity and the entity's actual or potential impacts, positive or negative, on sustainability matters.

- *Comprehensiveness* – The proposed standard covers the entire engagement from acceptance or continuance to reporting and is applicable to assurance on sustainability information reported under any suitable criteria or sustainability reporting frameworks.
  - *Implementability* – The requirements and application material in proposed ISSA 5000 have been drafted following the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#) to help provide for more consistent understanding and application. As noted in paragraph 12 below, an independent CUSP review is in progress and points raised in the review will be addressed in the turnaround document.
  - *Enforceability* – The Task Force has sought to include an appropriate balance of requirements and application material in proposed ISSA 5000, as well as clearly stating the responsibilities of the practitioner or the engagement leader, as applicable. This, in addition to following the CUSP Drafting Principles and Guidelines for more consistent understanding and application, is viewed as a means of enabling enforceability.
10. A detailed mapping of proposed ISSA 5000 to the standard-setting actions in the project proposal that support the public interest is being developed and will be presented in the Explanatory Memorandum. The mapping will highlight the qualitative standard-setting characteristics that were of most relevance when determining how to address each proposed action.

## A. Draft of Proposed ISSA 5000

11. When reviewing the draft of proposed ISSA 5000, as presented in **Agenda Items 2-B and 2-C**, the SATF asks the Board to note the following:
- The structure of proposed ISSA 5000 has now been aligned with the structure and layout of the IAASB's issued auditing and assurance standards and has been sequentially numbered. References to the separate parts of the standard have been deleted. **Agenda Items 2-B and 2-C** show the previous numbering within each of the separate parts (e.g., renumbered paragraph 17 is old Part 1 paragraph 1). The Board may find this “trail” helpful when comparing against the previous versions (as presented in Agenda Items 4-B and 4-C for the March meeting and, for the Introduction section, Agenda Item 1-A for the April 2023 Board call).
  - For ease of readability and navigation, complete paragraphs previously presented that have been deleted have been marked as “[Deleted]” and paragraphs or sentences moved within the standard have been marked as “[Moved to paragraph XX].” When content that has been moved has been revised from the March draft, the revisions are shown in mark-up in the new location.
  - The SATF responded to Board comments to change some of the existing greenhouse gas-focused examples to address broader sustainability topics and to add more sustainability-related examples throughout the standard. Examples have also been put into boxes, where appropriate, consistent with other recently issued IAASB standards.
  - An independent review of the application of the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines was completed in May 2023. **Agenda Items 2-B and 2-C** reflect revisions made in response to comments and suggestions from this review.
  - Mapping of the requirements in proposed ISSA 5000 to the underlying IAASB standards and guidance on which the requirements were based, as well as a mapping of the requirements in

ISAE 3000 (Revised)<sup>2</sup> to the requirements in proposed ISSA 5000, has been presented for reference purposes in **Agenda Item 2-H**. As the mapping has been completed, the SATF has deleted the bracketed references in the proposed standard to the underlying IAASB standards or guidance.

12. The remainder of this section provides further explanation of key matters considered by the SATF in progressing the revisions to proposed ISSA 5000. **Agenda Item 2-A** provides background information on, and an explanation of, the significant changes made by the SATF to the requirements and application material of proposed ISSA 5000 from the March and April 2023 IAASB meetings. **Agenda Item 2-A** also includes references to matters that are discussed in more detail below.

## A.1. Sustainability Matters, Sustainability Information and Disclosures

### *Previous IAASB Discussion*

13. In March, the Board raised a number of comments about the term “sustainability information,” noting that it is difficult to define given the different uses and descriptions of the term in sustainability reporting standards and frameworks and in other sources. The Board suggested that the SATF provide a description of “sustainability information” to clarify what it encompasses and that the information within the scope of the assurance engagement may not be the entirety of the sustainability information reported by the entity.
14. The Board also encouraged the SATF to continue to collaborate with the International Ethics Standards Board for Accountants (IESBA) to align the definitions and description of sustainability information.

### *SATF Discussion and Recommendations*

15. The SATF discussed at length the definition of sustainability information and various alternatives for the definition, including whether different terms could be used for the entirety of the sustainability information reported by the entity, and the sustainability information subject to the assurance engagement (see further discussion of the latter in paragraphs 23-24 below).
16. The SATF considered the working draft of the definition of sustainability information developed by the IESBA Sustainability Task Force, as shown below. The SATF also recognizes that the IESBA definition will continue to evolve based on further IESBA Task Force deliberations and discussions with the IESBA Board.

Information relating to 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.

This also includes any specific information designated as such by the applicable reporting framework in the particular jurisdiction.

17. The SATF noted that the core of the IESBA Task Force working definition was information about “environmental, social and governance matters,” i.e., sustainability matters. This prompted the SATF to consider a separate definition of sustainability matters that could also serve as the foundation for

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

the definition of sustainability information. In doing so, the SATF also considered input from Reference Group #1, which indicated that environmental, social and governance matters, or the acronym “ESG,” while still widely used, may not be consistent with the current environment and evolving views about the nature and scope of sustainability matters.

18. After further discussion, the SATF developed the following definition of sustainability matters (see paragraph 16(xx) in **Agenda Item 2-B**):

Sustainability matters – Environmental, social, economic and cultural matters, including:

- (i) The impacts of an entity’s activities, products and services on such matters, or the impacts of such matters on the entity, and
- (ii) The entity’s policies, performance, plans, goals and governance relating to such matters.

Sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.

19. Regarding this proposed definition, the SATF noted that the IAASB will be issuing its exposure draft of proposed ISSA 5000 before the IESBA issues its proposed revisions to the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). Therefore, the SATF was of the view that proposed ISSA 5000 should include definitions of sustainability matters and sustainability information that were most reflective of the current sustainability environment. The SATF recognized that ongoing collaboration with IESBA will be needed, and there will be further opportunities to align these definitions, and other terminology, after both Boards have received and considered input from their respective stakeholders.
20. As previously discussed with the Board, the IAASB also needs to remain consistent with foundational concepts and related terminology in its assurance standards. The SATF noted that sustainability matters are the underlying subject matter for a sustainability assurance engagement. Therefore, the SATF added a sentence to the definition to indicate that sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards. As the definition of underlying subject matter has been subsumed into the definition of sustainability matters, the definition of underlying subject matter has been deleted.
21. As noted in paragraph 17 above, the SATF concluded that the definition of sustainability information in proposed ISSA 5000 could be revised by referring to “information about sustainability matters.” In this way, the core of the definition is less technical but, to remain consistent with foundational concepts, still retains the notion that sustainability information for purposes of this ISSA results from measuring or evaluating the sustainability matters against the applicable criteria. The revised definition of sustainability information is presented in paragraph 16(ww) of **Agenda Item 2-B**.
22. The SATF is of the view that this definition is more straightforward and, along with the definition of sustainability matters, can help to provide a bridge to IESBA’s definition of sustainability information. In discussions with IESBA staff, it was noted that IESBA’s view of “sustainability information” is broader as the IESBA project is addressing both sustainability reporting and sustainability assurance. Consequently, the IESBA definition needs to take into account sustainability information prepared by an entity (as that relates to the conduct of individuals, for example, professional accountants in

business, that are responsible for such information) as well as sustainability information resulting from the measurement or evaluation of underlying subject matter (i.e., sustainability matters) against the applicable criteria.

#### Sustainability Information Subject to the Assurance Engagement

23. As noted in paragraph 12 above, the Board asked for clarification about the difference between sustainability information reported by the entity and the sustainability information subject to the assurance engagement. The March 2023 draft of the proposed standard had a single term for “sustainability information” but used appropriate contextual wording when referring to sustainability information subject to assurance. The SATF continues to be of the view that this is appropriate because, in most cases throughout proposed ISSA 5000, references to “sustainability information” are to sustainability information subject to assurance.
24. To further clarify this point, the SATF revised paragraph 2 of **Agenda Item 2-B** to align with the proposed revised definition of sustainability information and to delete the reference to “the entirety of the sustainability information.” In addition, the SATF added paragraph 2A to further explain that the scope of the engagement may extend to all of the sustainability information expected to be reported by the entity or only part of it. Paragraph 2A also explains that, unless otherwise specifically indicated, references in proposed ISSA 5000 to “sustainability information” mean the information that is subject to the assurance engagement. Sustainability information reported by the entity that is not subject to the assurance engagement is “other information” as defined in paragraph 16(ff).

#### Topics, Aspects of Topics and Disclosures

25. In March 2023, in addition to comments about sustainability information, the Board also raised comments and questions about the relationship between topics, aspects of topics and disclosures.
26. To provide further clarity, the SATF developed Appendix 1 to proposed ISSA 5000, which is included in **Agenda Item 2-F**. This appendix explains the relationship between sustainability matters (i.e., the underlying subject matter); sustainability information (i.e., the subject matter information); and the related disclosures about the sustainability information.
27. The appendix leverages the matrix shown to the Board in December 2022 and March 2023 illustrating that a disclosure represents specific information (i.e., a “piece of information”) reported by the entity about an aspect of a topic. Board members also asked for additional examples of topics and aspects of topics. Therefore, the SATF included a more comprehensive list of examples of topics and aspects of topics in paragraph A32A of **Agenda Item 2-C**. These examples were taken from the table in paragraph 19 of the approved project proposal, and have been updated to reflect current thinking about sustainability topics and aspects of topics.
28. The SATF also discussed the suggestion from a Board member in March 2023 to consider changing the term “disclosure(s)” to “sustainability disclosure(s)” to avoid confusion with the commonly understood concept of disclosures. The SATF was of the view that such a change was unnecessary because the introduction to proposed ISSA 5000 standard is clear that the standard deals with assurance engagements on sustainability information, and therefore references to “disclosures” in the proposed standard are in that context. However, to provide further clarification, the SATF added application material to the definition of disclosure(s) (paragraph A19 in **Agenda Item 2-C**) to explain that the term “disclosure(s)” as used in this ISSA is not intended to have the same meaning as “financial statement disclosures” as defined or described in financial reporting frameworks. This is



similar to the application material in paragraph A27 of ISA 600 (Revised),<sup>3</sup> which explains that the term “consolidation process” is not intended to have the same meaning as “consolidation” or “consolidated financial statements” as defined or described in financial reporting frameworks.

## A.2 Materiality

### *Previous IAASB Discussion*

29. In March, the Board requested that the SATF consider providing further guidance on matters related to materiality, including:
- The concept of “double materiality,”
  - That there may be more than one materiality for the same assurance engagement.
  - Differentiating the concept of materiality as applied by the entity (e.g. “materiality process”) and the practitioner’s consideration or determination of materiality.

### *SATF Discussion and Recommendations*

30. The matters discussed in paragraph 29 above were already included in several places in the March 2023 draft of proposed ISSA 5000 and remain in the proposed standard. For example:
- Paragraph A157: Explains that the entity’s “process to identify reporting topics,” “materiality assessment,” or “materiality process” is different than the practitioner’s materiality.
  - Paragraph A179: Explains that the information needs of the intended users may relate to both the impact of the underlying subject matter on the entity (which may be referred to as financial materiality), and the impacts of the entity on the underlying subject matter (which may be referred to as impact materiality).
31. However, the SATF agreed that the proposed standard could be further enhanced to address these matters, including to highlight that there may be more than one materiality for the same assurance engagement. The definition of sustainability matters as discussed in Section A.1 above, recognizes the dual focus inherent in the concept of “double materiality” in terms of the impacts of an entity’s activities, products and services on environmental, social, economic and cultural matters and the impacts of such matters on the entity. In addition, the SATF added or revised the following paragraphs:
- Paragraphs A268-A268A: Revised paragraph A268 and added paragraph A268A, including an example, to contrast materiality considerations that may be referred to as “financial materiality” and “impact materiality.”
  - Paragraph A271: Added a sentence to this paragraph to recognize there may be more than one materiality for the same assurance engagement.
  - Paragraphs A393-A394: Added content to connect the entity’s process for identifying reporting topics to the practitioner’s consideration of identified misstatements and whether they are clearly trivial. Also included an example of where or how a misstatement in sustainability

---

<sup>3</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

information may arise through a misapplication of the entity's process to identify reporting topics.

- Paragraph A411: Added content to include an example of a qualitative factor that may indicate a misstatement is more likely to be material, through a misalignment of the entity's process for identifying reporting topics with the scope or objective of reporting.
- Paragraph A480: Further enhanced the guidance about describing in the assurance report whether materiality is considered from the perspective of the impacts of the sustainability matters on the entity, the entity's impacts on the sustainability matters or both, by adding that the practitioner considers whether the applicable criteria provide a definition or description of materiality.

### A.3 Illustrative Assurance Reports

#### *Previous IAASB Discussion*

32. As noted in paragraph 2 above, the draft illustrative assurance reports for proposed ISSA 5000 were discussed in the April 2023 mid-quarter Board call. In particular, the Board decided the SATF should:
- (a) Simplify the illustrative reports and only reflect the core requirements of the report content in proposed ISSA 5000;
  - (b) Include an illustrative report containing a qualified limited assurance conclusion resulting from a scope limitation; and
  - (c) Revise the limited assurance report included in the unmodified combined assurance report to focus on assurance relating to a limited number of metrics.

#### *SATF Discussion and Recommendations*

33. In response to the Board's feedback, the SATF pared back certain aspects of the illustrative reports to reflect the basic content elements and to provide a more generic "template" for reporting certain matters, such as an Emphasis of Matter, significant inherent limitations (if applicable) and the summary of work performed for a limited assurance engagement.
34. The SATF added a fourth illustrative example report to illustrate a modified limited assurance conclusion. In addition, the SATF revised the combined reasonable assurance and limited assurance illustrative report to make it an example of specific disclosures rather than an entire sustainability report. The amended reports are presented in Appendix 2 in **Agenda Item 2-F**.
35. The SATF has also updated the illustrative reports to address comments and input from the Board, in particular to reflect changes in the reporting requirements in the proposed standard and to provide consistent wording across the examples.
36. Specific changes to the illustrative reports included the following:
- For the reports for reasonable assurance engagements:
- (a) Deleted the summary of work performed in response to Board comments.
- For the reports for limited assurance engagements:
- (b) Deleted the second bullet of the Management's Responsibilities section as the Board found the wording to be confusing. The SATF was of the view that it is clear in the report that the

sustainability information is prepared in accordance with XYZ Law of Jurisdiction X.

For all reports:

- (c) Changed the subheading of the Management Responsibilities section to Responsibilities for the Sustainability Information to provide flexibility in describing those responsible for preparing the sustainability information and, if different, those responsible for oversight of the sustainability reporting process.
  - (d) Retained the placement of the section on Inherent Limitations in Preparing the Sustainability Information, which follows the Responsibilities for the Sustainability Information section, as this is consistent with the placement of such matters in the illustrative reports in Appendix 2 of ISAE 3410.<sup>4</sup>
  - (e) Removed the reference to a multidisciplinary team in the Practitioner’s Responsibilities section.
  - (f) Moved the separate Quality Management section to a paragraph in the Basis for Opinion or Basis for Conclusion section, following the required statement about independence and relevant ethical requirements. The SATF was of the view that these matters are interrelated and therefore should be presented together in the illustrative report, rather than in a separate section after the basis for conclusion as suggested by the Board.
  - (g) Deleted the statement in the Other Information section that management is responsible for the other information. The Board noted that other information may include audited financial statements and the auditor’s report thereon, so such a statement in the assurance report may imply that management is responsible for the auditor’s report.
  - (h) Deleted the blue boxes with the references to the relevant reporting requirements in the proposed standard. The SATF was of the view that the illustrative reports should be presented in the same way as in other IAASB standards. The SATF noted that illustrative reports that include these references could be made available in other ways.
37. The SATF considered the Board’s suggestion to explore the possibility of clarifying as early as possible in the report for a limited assurance engagement that the scope and nature of work performed is substantially less than for a reasonable assurance engagement. The SATF concluded that the statement should remain in the Summary of Work Performed section, consistent with the location in the illustrative limited assurance report for ISAE 3410.

#### A.4 Groups and “Consolidated” Sustainability Information

38. The SATF considered the manner and extent to which proposed ISSA 5000 addresses sustainability assurance engagements for groups or for “consolidated” sustainability information.
39. The SATF is of the view that, on balance, the principles-based requirements in the proposed standard are capable of being applied for all sustainability assurance engagements. Paragraph 7 of **Agenda Item 2-B** indicates that proposed ISSA 5000 applies for all types of sustainability information, regardless of the manner in which that information is presented. Paragraph A11 of **Agenda Item 2-C** explains that, depending on the applicable criteria, the sustainability information may be for a single

---

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

entity, or may include information for entities that are part of a group or other entities in the reporting entity's value chain.

40. In the circumstances described in paragraph 39, the practitioner needs to decide the most appropriate approach to obtaining evidence to support the conclusion on the sustainability information. When information resides in multiple locations within the entity (i.e., within the entity's organizational boundary) or outside of the entity (e.g., in the value chain), the practitioner may decide that other practitioners (whether from within the practitioner's firm or network, or outside of the practitioner firm's network) are needed to perform procedures and obtain evidence.
41. The SATF discussed whether certain requirements or application material from ISA 600 (Revised) could be included in proposed ISSA 5000 to address group sustainability assurance engagements. The SATF noted that ISA 600 (Revised) is a special considerations standard, and is applied along with all other relevant ISAs for audits of group financial statements. However, proposed ISSA 5000 is an overarching standard and it would therefore be inappropriate for it to include detailed requirements and guidance for groups. The SATF continues to be of the view that a separate ISSA addressing groups or "consolidated" sustainability information would be the most appropriate approach.
42. The SATF noted that this matter will be discussed in the Explanatory Memorandum and a question can be included to seek input from stakeholders on matters relating to groups and consolidated information, including whether a separate ISSA addressing groups or "consolidated" sustainability information would be the most appropriate approach.

#### **Matters for IAASB Consideration**

1. The IAASB is asked for its views on proposed ISSA 5000, as presented in **Agenda Items 2–B, 2-C and 2-F**, including with respect to the matters discussed in **Section A** above.
2. The IAASB is asked whether there are any other matters that the SATF should consider in finalizing the exposure draft of proposed ISSA 5000.

## **B. Proposed Conforming and Consequential Amendments**

43. The SATF has prepared the proposed conforming and consequential amendments arising from proposed ISSA 5000. These amendments impact the Preface,<sup>5</sup> ISQM 1,<sup>6</sup> ISQM 2,<sup>7</sup> ISAE 3000

<sup>5</sup> Preface to *The International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*

<sup>6</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>7</sup> ISQM 2, *Engagement Quality Reviews, should be read in conjunction with ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

(Revised), ISAE 3410, ISA 805<sup>8</sup> and the International Framework for Assurance Engagements. The amendments have been drafted for the purpose of:

- Allowing for a suite of International Standards on Sustainability Assurance (ISSAs) in the structure of the IAASB standards, under the group of “Sustainability and Other Assurance Engagements,” as reflected in the International Framework for Assurance Engagements.
- Replacing the terms “professional accountant” with “auditor or practitioner” in the Preface to reflect the term “auditor” being used in the ISAs and some ISRE and ISRS, and the term “practitioner” in the ISAEs, ISSAs, and some ISRE and ISRS.
- Reflecting the applicability of ISSAs to assurance engagements on sustainability information.
- Acknowledging in the application material to the scope section of ISQM 1 that the term “engagement leader” is used in the ISSAs.
- Establishing when the ISSAs are to be applied instead of ISAE 3000 (Revised) or ISAE 3410.

#### **Matter for IAASB Consideration**

3. The IAASB is asked for its views on the proposed conforming and consequential amendments, as presented in **Agenda Item 2–G**, including with respect to the matters discussed in **Section B** above.

## **C. Other Matters**

### **Exposure Period and Timing of Completion**

44. The targeted approval of the exposure draft of proposed ISSA 5000 is June 28, 2023. Subject to the Board's approval, it is expected that the IAASB will publish the exposure draft along with the conforming and consequential amendments by August 1, 2023 at the latest, for a minimum 120-day comment period as per IAASB's due process.
45. Based on those approval and publication dates, responses would be due at the start of December 2023. This comment period deadline will allow staff time to analyze the responses received, including coordinating as needed with the SATF, in order to present this analysis to the Board in March 2024.
46. Subject to the extent and nature of the comments received, the final pronouncement is targeted for completion by September 2024.

### **Proposed Implementation Period**

47. The SATF recognizes that the development of an overarching standard to provide a global baseline for sustainability assurance engagements will have a significant effect across stakeholders within the external reporting ecosystem, including for assurance practitioners who will be responsible for undertaking these engagements. There also is the need for national due process and translation, as applicable, relating to the adoption of the proposed standard. Effective implementation of the proposed standard is important to support the consistent performance of quality engagements.

<sup>8</sup> ISA 805 (Revised), Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

48. The SATF proposes to include in the Explanatory Memorandum a proposal for an implementation period of approximately 18 months after approval of proposed ISSA 5000 by the IAASB. The SATF is particularly cognizant of the urgent need for a global sustainability assurance standard to address the increasing number of jurisdictions with regulatory requirements being introduced for sustainability reporting, with assurance required on some or all of the sustainability information reported. The implementation period should balance the need for urgency with allowing sufficient time to implement the standard, including adoption and translation by jurisdictions, and incorporating the changes into firm methodologies, enablement tools and training materials.
49. It is important to note that achieving the appropriate balance would also be facilitated by decisions taken at the jurisdictional level in terms of what is most appropriate for local circumstances. In this regard, the IAASB would permit and encourage early application of proposed ISSA 5000 (i.e., able to apply the proposed standard before the effective date specified therein).
50. A question will be asked in the Explanatory Memorandum about the expected implementation efforts and the appropriateness of the proposed implementation period.

### Effective Date Convention

51. The SATF discussed the appropriate convention for the effective date and considered whether it should relate to:
  - (a) A period, if so whether it should be:
    - (i) A period beginning or a period ending on the date; and
    - (ii) The period covered by the sustainability information reported or the engagement.
  - (b) A point in time; or
  - (c) Both.
52. The SATF considered that proposed ISSA 5000 could be applied to engagements on sustainability information either covering a period (e.g., performance against targets over a period) or at a point in time (e.g., a strategy or the implementation of a process or controls). The CUSP Drafting Principles and Guidelines state that the decision as to which convention should be used in the effective date paragraphs is based on whether the provisions of the standard apply to the planning stages of the engagement, in which case “beginning on or after” is appropriate, or only apply to completing the engagement, in which case “ending on or after” can be used.
53. As proposed ISSA 5000 is a performance standard covering the conduct of the entire engagement, this would necessitate use of periods “beginning on or after” a date. As proposed ISSA 5000 applies to attestation engagements, the SATF considered that the suitable period should be that of the sustainability information reported. Accordingly, paragraph 13 of **Agenda Item 2-B** indicates that the effective date of proposed ISSA 5000 would be for assurance engagements on sustainability information reported:
  - (a) For periods beginning on or after [Month] 15, [Year]; or
  - (b) As at a specific date on or after [Month] 15, [Year].

## Due Process Matters

54. In the view of the SATF, the significant matters identified as a result of deliberations since the beginning of this project have been presented in the issues papers presented to the IAASB for discussion. In the view of the SATF, there are no significant matters that have not been brought to the attention of the IAASB.
55. The SATF does not believe that a consultation paper or field testing is needed at this stage of the project. This view is based on the background and introduction that informed the project as outlined in the approved project proposal and the approach to the development of proposed ISSA 5000 of leveraging existing IAASB standards and guidance (see Sections B and F of the project proposal). In addition, targeted outreach with key stakeholders has been undertaken throughout the project and a comprehensive global outreach plan is being developed. The outreach plan is in the process of being finalized, but is expected to encompass: in-person roundtables in jurisdictions across the globe to reach a representation across a wide range of stakeholders; informational webinars; social media engagement; and targeted outreach with key stakeholders, including assurance practitioners (professional accountants and other professionals), regulators, users and preparers.

### Matter for IAASB Consideration

4. The IAASB is asked for its views on the exposure period and timing of completion, the proposed implementation period and the effective date convention as described in **Section C** above.

## D. Matters for the Explanatory Memorandum

56. Staff considered key matters it believes are relevant to address in the Explanatory Memorandum accompanying the exposure draft for proposed ISSA 5000. These include, but are not limited to:
  - The background to the decision to undertake a project to develop a global baseline standard for assurance (whether reasonable or limited assurance) on sustainability information, prepared under any suitable criteria, and that is capable of use by all assurance practitioners
  - The intention for proposed ISSA 5000 to be an overarching standard covering the entire assurance engagement that allows for development of a future suite of sustainability assurance standards to address particular aspects of the engagement, or certain sustainability topics or aspects of topics.
  - The project objectives that support the public interest and how the proposed standard supports the identified public interest objectives set out for the project (also see paragraphs 9-10 above).
  - How the priority areas in the project proposal have been addressed.
  - Coordination with IESBA, including ongoing liaison with IESBA staff and the IESBA Sustainability Task Force Liaison Member.
  - The approach to the development of proposed ISSA 5000 (starting with the foundational concepts in ISAE 3000 (Revised) and ISAE 3410, leveraging the EER Guidance, and bringing in relevant requirements and application material from the ISAs as appropriate).
  - Scope and applicability of proposed ISSA 5000, in particular the relationship with ISAE 3000 (Revised) and ISAE 3410.

- Fundamental premises in proposed ISSA 5000, including what constitutes “at least as demanding” as the IESBA Code regarding relevant ethical requirements for sustainability assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management. Wording in the proposed standard that is subject to change based on the outcomes of IESBA’s related projects on sustainability and experts will be greyed out for easier identification by stakeholders.
- Key terminology used in the proposed standard, including the definitions of sustainability matters and sustainability information (and distinguishing between sustainability information reported by the entity and that which is subject to the assurance engagement).
- The differentiation between reasonable and limited assurance, including with respect to:
  - The practitioner’s work effort, including with respect to internal control, and
  - Signposting in the requirements and application material.
- Using the work of an expert (either a practitioner’s internal or external expert) and another practitioner, including the circumstances in which another practitioner is considered to be a member of the engagement team, and the implications for direction, supervision and review and relevant ethical requirements.
- The entity’s process to prepare the sustainability information and the identification, selection or development of suitable criteria and its consideration in the assurance engagement.
- Evaluating the relevance and reliability of information intended to be used as evidence, including information from external sources reported in the sustainability information (e.g., outside of the entity’s organizational boundary or within the value chain) and information prepared by a management’s expert.
- Materiality considerations, including:
  - Considering materiality for qualitative disclosures and determining materiality (and performance materiality) for quantitative disclosures.
  - The possible need for the practitioner to consider multiple materialities.
  - Relationship of the relevant factors considered during planning with the factors considered when evaluating identified misstatements and reaching the assurance conclusion.
  - How the concept of “double materiality” has been addressed and how it relates to the practitioner’s materiality.
- How the challenges in obtaining sufficient appropriate evidence for estimates and forward-looking information are addressed proposed in ISSA 5000.
- The practitioner’s responsibilities for other information in a document or documents containing the sustainability information subject to assurance, and reference to the related reporting requirements.



- Other reporting considerations, including:
  - Aligning with ISA 700 (Revised)<sup>9</sup> regarding the position of certain elements of the practitioner's report (e.g., assurance conclusion first followed by the basis for the conclusion).
  - The decision not to include a concept similar to Key Audit Matters in proposed ISSA 5000.
  - The ability to address other reporting responsibilities (e.g., to address specific matters required by law, regulation or assurance standards in the jurisdiction).
  - For listed entities, the requirement to include the name of the engagement leader.
- How proposed ISSA 5000 addresses assurance engagements for groups or “consolidated” sustainability information.

57. In developing the questions for respondents, due consideration will be given to the qualitative standard-setting characteristics when soliciting stakeholder feedback to facilitate the IAASB in assessing the standard's responsiveness to the public interest.

**Matter for IAASB Consideration**

5. The IAASB is asked whether there are any matters, other than those noted in paragraph 56 above, that should be addressed in the Explanatory Memorandum.

---

<sup>9</sup> ISA 700 (Revised), *Forming and Opinion and Reporting on Financial Statements*

## Appendix 1

### SATF Members and Activities

#### SATF Members

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

#### SATF Activities since the March 2023 IAASB Meeting

##### *Meetings*

2. The SATF met in person for four days in April 2023, virtually for one day in April, and again virtually for two days in May 2023. In addition, SATF members met informally between the March 2023 Board meeting and the SATF meetings with staff and the drafting team members, with whom they were partnered to draft specific Parts of proposed ISSA 5000. Those meetings, along with offline communications, provided detailed advice and input on the drafting of proposed ISSA 5000 as reflected in **Agenda Items 2-B, 2-C and 2-F**.

##### *Outreach Activities*

3. Engagement with the IAASB Sustainability Assurance Reference Groups as discussed in paragraph 7.
4. The IAASB Chair, Program and Technical Director, project Staff, Drafting Team and SATF members have engaged with representatives of the following stakeholders in person or at virtual meetings and presentations at stakeholder events:
  - International Organization of Securities Commissions (IOSCO)
  - The Public Interest Oversight Board (PIOB)
  - CReCER - Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean region
  - Financial Stability Board (FSB)
  - European Commission (EC), Unit for Corporate Reporting, Audit and Credit Rating Agencies
  - International Sustainability Standards Board (ISSB)
  - Global reporting initiative (GRI)
  - International Organization for Standardization (ISO)
  - Taskforce on Nature-related Financial Disclosures (TNFD)
  - African Congress of Accountants
  - Chartered Accountants Australia and New Zealand Audit
  - Securities and Exchange Commission of Brazil
  - Association of Capital Market Investors in Brazil
  - International Federation of Accountants (IFAC)
  - International Ethics Standard Board for Accountants (IESBA)

- International Public Sector Accounting Board (IPSAB)

For details about the above Sustainability Assurance project-specific outreach, refer to **Agenda Item 1** to be posted on the [IAASB Meetings webpage](#).

5. In addition, the topic of sustainability assurance was specifically addressed in meetings or presentations with representatives of the following stakeholders as part of the IAASB general outreach program: International Forum of Independent Audit Regulators (IFIAR), Japanese Institute of Certified Public Accountants (JICPA), Japan Financial Services Agency (JFSA), Certified Public Accountants and Auditing Oversight Board (CPAAOB), Japan Audit and Supervisory Board Members' Association, Forum of Firms with Latin America and Caribbean Region members, Edinburgh Group.

## Appendix 2

### Approach for the Walkthrough of Agenda Items 2–B and 2-C

Section of Proposed ISSA 5000	Paragraphs in Agenda Items 2–B, 2-C, 2-F <sup>10</sup>	Related Discussion in this Agenda Item
Introduction	1-12; A1-A14	-
Effective Date and Objectives	13-15; A15	-
Definitions	16; A16R- A32A	A.1
	Appendix 1	-
Conduct of an Assurance Engagement in Accordance with the ISSAs	17-23; A33-A43	-
Acceptance and Continuance of the Assurance Engagement	24-27; A44-A52	-
Quality Management	28-43; A53-A95	-
	44-57; A96-A130	-
Fraud; Non-Compliance with Laws and Regulations; Communication; Documentation	58-67; A131-A153	-
Preconditions for an Assurance Engagement	68-76; A154-A201	-
Terms of the Assurance Engagement	77-80; A202-A206	-
Evidence	81-86; AA207-A254	-
Planning	87-89; A255-A264	-
	90-93; A265-A280	A.2
Risk Procedures	94L-101; A281-A307	-
	102L-106R; A308-A332	-
	107L-113; A333-A354R	-

<sup>10</sup> Also see related explanations in **Agenda Item 2–A** for significant changes to certain paragraphs.

Section of Proposed ISSA 5000	Paragraphs in Agenda Items 2–B, 2-C, 2-F <sup>10</sup>	Related Discussion in this Agenda Item
Responding to Risks of Material Misstatement	114L-116R; A356-A366	-
	117-123; A367-A369	-
	124R-135; A370-A390	-
Accumulation and Consideration of Identified Misstatements; Evaluating the Description of Applicable Criteria	136-144; A391-A421	-
Subsequent Events; Written Representations	145-152; A422-A427	-
Other Information	153-158; A428-A438	-
Forming the Assurance Conclusion	159-166; A439-A457	-
Reporting	167-169; A458-A489	-
	170-183; A490-A511	-
	184-187; A512-A518	-
Illustrative Reports	Appendix 2	A.3