

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: Virtual

Meeting Dates: June 15, 2023

Agenda Item B

Assurance on Sustainability Reporting – Cover and Report Back

Objectives of Agenda Item

1. The objectives of this Agenda item are to:
 - (a) Report back on Representatives' comments made at the March 2023 IAASB CAG meeting.
 - (b) Obtain Representatives' views on the draft of proposed ISSA 5000.¹

Project Status

2. The Sustainability Assurance Task Force (SATF) presented a draft of proposed ISSA 5000, including all requirements and application material, to the IAASB at the [March 2023 Board meeting](#) (Agenda Item 4). The introduction (including the scope and applicability of the proposed standard) and illustrative assurance reports were presented at the [April 2023 IAASB meeting](#) (Agenda Item 1).
3. The IAASB will be provided in June 2023 with a complete draft standard, including appendices, and the proposed conforming and consequential amendments to other standards in order for the IAASB to approve proposed ISSA 5000 as an exposure draft (see Agenda Items B.2, B.3, B.4 and B.7).
4. Since March 2023, the IAASB has undertaken extensive engagement with key stakeholders and met with the two Sustainability Reference Groups. A list of outreach activities is included in Appendix 1 to **Agenda Item B.5**.
5. The **Appendix** to this paper provides a history of previous discussions with the IAASB and the CAG on this topic.

Way Forward

6. At the IAASB meeting in June 2023, the IAASB will be asked to approve the draft of proposed ISSA 5000 as an exposure draft, included in **Agenda Items B.2, B.3 and B.4**.

IAASB CAG Discussion in June 2023

7. For purposes of the IAASB CAG discussion in June 2023, the SATF has prepared a presentation (see **Agenda Item B.1**) highlighting key matters in the draft standard.

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

Matters for IAASB CAG Consideration:

1. Representatives are asked for views on the draft standard presented in **Agenda Items B.2, B.3 and B.4** that will be presented to the IAASB for approval at the June 2023 meeting.
2. Representatives are asked whether there are any other matters the SATF should consider in finalizing the draft standard.

Report Back

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

Representatives' Comments	SATF / IAASB Response
OVERARCHING COMMENTS	
All CAG Representatives who commented thanked the SATF for the substantial progress made to date and noted their support for the overall approach in developing proposed ISSA 5000.	Support noted.
PRIORITY AREA: LIMITED VERSUS REASONABLE ASSURANCE	
Mr. Thompson, Dr. Norberg, Dr Orth and Ms. Blomme supported the approach of making a clear demarcation between limited and reasonable assurance, noting that in the European Union, limited assurance engagements will be required first and then in due course, reasonable assurance. Dr. Orth added that even though the European Commission might prefer to have separate standards for limited and reasonable assurance, he is of the view that with the split and the two columns approach, proposed ISSA 5000 will achieve this purpose.	<p>Support noted.</p> <p>The draft standard that will be presented in June 2023 clearly distinguishes between limited and reasonable assurance: requirements and application material specific to either limited or reasonable assurance are signposted with an "L" or "R" suffix to the paragraph number. Requirements that are applicable to both limited and reasonable assurance engagements, but in a differential manner, are presented in tabular format side by side (in the same manner as ISAE 3000 (Revised)).² The SATF anticipates that this will enable the requirements and application material for limited and reasonable assurance to be readily identified.</p> <p>Ms. Jackson also noted that navigation through the standard will be easier with a digital version than with traditional printed format.</p>

² International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Representatives' Comments	SATF / IAASB Response
<p>Ms. Blomme asked the views of the SATF on whether the work effort on limited assurance is sufficient to avoid or to reduce “greenwashing,” and how the SATF will respond to such a challenge when it arises.</p>	<p>Points noted.</p> <p>Ms. Jackson explained that, as with other standards, the proposed standard includes material on management bias, particularly in relation to qualitative information and narrative disclosures.</p>
<p>Ms. Landell-Mills questioned the usefulness of the limited assurance as it adds little value to investors and contributes to potential greenwashing. Ms. Mills suggested focusing on the development of a reasonable assurance standard.</p> <p>Mses. Landell-Mills and Altbaum expressed their concerns about the equivalent to Key Audit Matters (KAMs) not being addressed in the proposed standard, noting that from investors’ perspective, transparency on what the critical assumptions were within the non-financial reports is very important and other matters would be really helpful and valuable. Ms. Landell-Mills and including a Key Matters section to provide users with information on how judgments have been made.</p> <p>Dr. Norberg noted that in his opinion, too early to discuss KAMs.</p>	<p>Point noted.</p> <p>Assurance on sustainability reporting is developing at different rates, with some jurisdictions planning to mandate limited assurance initially with a possible move to reasonable assurance over time. Therefore, there will likely be demand for both, and thus it is critical the overarching standard addresses both.</p> <p>Ms. Jackson also noted that the auditor reporting post-implementation review explored demand for extending the concept of key audit matters (KAM) to other assurance reports. Respondents to the IAASB’s Auditor Reporting Post-Implementation Review stakeholder survey were not supportive of communicating KAMs in other assurance reports. However, the Board agreed to include a question about KAM in the explanatory memorandum.</p>
<p>Mr. Ishiwata noted that regarding the standard being profession agnostic, it is important to collaborate with non-professional accountants’ assurance providers and standard setters for them such as the International Organization for Standardization and IIA and it is also important to have flexibility in proposed ISSA 5000 in order to make it easy for sustainability assurance providers to use. Regarding timeliness and to avoid rework as much as possible, Mr. Ishiwata proposed timely sharing of information about the draft standard and engagement with key stakeholders.</p>	<p>Point noted.</p> <p>Ms. Jackson pointed out the outreach activities already being carried out with Reference Group 1, comprising assurance professionals not from accounting firms.</p>
<p>Dr. Manabat noted that clarity is an important element of the standard being developed because it is</p>	<p>Point noted.</p>

Representatives' Comments	SATF / IAASB Response
intended to be used by both auditors and non-accountants, while most of the standards developed by IAASB are understood by practicing accountants.	<p>Ms. Jackson explained that in developing the standard, the SATF kept in mind that it will be used by accountants and non-accountants, and consequently more explanation was added to provide additional clarity for non-accountants using proposed ISSA 5000.</p> <p>The draft standard was subject to a review of the application of the Complexity, Understandability, Scalability and Proportionality Drafting Principles and Guidelines and suggestions from that review have been considered in the draft standard.</p>
Ms. Wolf asked whether the standard is meant to cover all sustainability topics and if there is any flexibility in it to sort of cascade to limited moving to reasonable assurance.	<p>Point noted.</p> <p>Ms. Jackson explained that the standard is developed in a way that is meant to be flexible, and that it supports practitioners in conducting assurance on any type of sustainability information, regardless of how it is presented. Mr. Botha added that a practitioner can perform both limited and reasonable assurance in one engagement, but on different aspects of the sustainability information.</p>
PRIORITY AREA: SUITABILITY OF CRITERIA	
Ms. Landell-Mills expressed her support for the overall direction of the work and stressed the need to be rigorous and ensure that this is absolutely directed towards investors in the public interest. Ms. Landell-Mills asked for clarification about the term "practitioner" and who is the ultimate client for this type of engagement, suggesting that accountability and materiality should also be considered in this context.	<p>Support noted.</p> <p>Ms. Jackson explained that the practitioner refers to the person who is engaged to perform the assurance engagement. Ms. Jackson also clarified that the entity is likely the organization responsible for preparing and reporting the information, but the engagement is for the intended users. Mr. Botha noted the different levels of involvement in sustainability reporting and the importance of determining the intended user of the information. Mr. Botha highlighted that proposed ISSA 5000 addresses specific user needs, and that sustainability reporting is moving from voluntary regimes to mandatory regimes. In that context Mr. Botha noted that the focus of ISSA 5000 is on general-purpose information that is driven by law, regulation, and sustainability reporting frameworks that provide criteria for the</p>

Representatives' Comments	SATF / IAASB Response
	<p>entity in determining the information that users will find useful. The practitioner's responsibility is to obtain sufficient appropriate evidence to support their conclusion, and they may rely on the work of other practitioners or internal audit. However, they must ensure that the work is adequate for their purposes.</p>
PRIORITY AREA: SCOPE OF THE ASSURANCE ENGAGEMENT	
<p>Ms. Riggs expressed her support for the project overall and highlighted that, given the migration toward integrated reporting, there is a need to clarify within the standard that sustainability information contained within audited financial statements would not utilize proposed ISSA 5000, but rather would utilize the standards being used to audit the financial statements.</p>	<p>Support noted.</p> <p>The introduction of proposed ISSA 5000 clarifies its scope and applicability.</p>
<p>Mr. Sobel drew attention to the fact that scope can derive from the requirements of regulations or other standards not only from management. Mr. Sobel mentioned that if some sustainability information is excluded from the scope of the information reported or the assurance engagement, it should not relate to information required to be reported or assured by regulations.</p>	<p>Point noted.</p>
<p>Ms. Blomme explained that in Europe, more information may need to be addressed in sustainability assurance engagements and reporting due to the European Union's Corporate Sustainability Reporting Directive including in relation to the requirement for digital reporting (taxonomy). Ms. Blomme expressed her concern that this may not be covered in the standard and asked if the SATF is considering addressing this issue in the future to allow auditors to understand how to address these additional requirements.</p>	<p>Point noted.</p> <p>Ms. Jackson highlighted that the SATF discussed the issue of taxonomy with the European members of the SATF. The SATF noted that the proposed standard permits other reporting responsibilities to be addressed in the assurance report. The application material includes reference to compliance of the sustainability information with a digital taxonomy as an example of a conclusion on specific matters, that can be included in an assurance report.</p>
PRIORITY AREA: EVIDENCE	
<p>Dr. Norberg supported the approach and highlighted the value chain in particular as a typical example of</p>	<p>Support noted.</p>

Representatives' Comments	SATF / IAASB Response
challenges that the standard should deal with especially in terms of differentiation between limited and reasonable assurance.	
Mr. Ishiwata noted that regarding forward-looking information and estimates it may be useful to refer to some provisions of ISA 540 (Revised). ³	Point noted. The SATF expanded the requirements in the draft standard for estimates and forward-looking information to incorporate material from ISA 540 (Revised). The SATF also added application material to help practitioners determine the approach to obtaining evidence about that information.
Dr. Cela supported the proposed approach and noted that there are some limitations over the evidence, such as for SMEs most of the evidence relies on estimation, and accordingly this should be taken into consideration when assessing the reliability and quality of the evidence.	Support noted. Please see the explanation in the above point.
PRIORITY AREA: SYSTEM OF INTERNAL CONTROL	
Mr. Sobel noted that COSO ⁴ will issue a guidance paper in April that covers internal controls over sustainability reporting. Mr. Sobel encouraged the SATF to read the guidance once issued although he doesn't anticipate significant differences with the provisions of proposed ISSA 5000.	Point noted. Ms. Jackson noted that the SATF will take the guidance into account before finalizing the standard.
Dr. Orth noted that there are some discussions in Europe around internal controls especially if it relates to the required test of the operating effectiveness of a control if the practitioner intends to rely on the control. Dr. Orth mentioned that this is usually an approach for reasonable assurance. Dr. Orth asked whether requirements 4 and 5 on page 25 of proposed ISSA 5000 are conditional similar to requirement 3 and whether the statement included about operating effectiveness is about the suitability of the design of controls. Ms. Blomme suggested that due consideration should be given to internal controls	Point noted. The SATF has included differential requirements for limited assurance engagements that only require the practitioner to obtain an understanding of controls if they plan to obtain evidence by testing their operating effectiveness. The SATF amended the requirements for limited assurance to better differentiate these requirements from the reasonable assurance requirements with respect to controls.

³ International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁴ The Committee of Sponsoring Organizations of the Treadway Commission

Representatives' Comments	SATF / IAASB Response
in limited assurance engagements compared to reasonable assurance engagements.	
<p>Ms. Vanich asked whether the standard should address the potential to have third parties start to provide services for reporting on internal controls. Mr. Dalkin highlighted the existence of some cautionary flags as a result of the potential significant involvement of specialists in the work of the practitioner, and accordingly, it may be beneficial to incorporate some of the considerations for auditors for that unique situation.</p>	<p>Point noted.</p> <p>Ms. Jackson acknowledged the importance of the third-party reporting identified by CAG Representatives and signaled that proposed ISSA 5000 requirements and application material covered this. Ms. Jackson noted that ISSA 5000 acknowledges that some practitioners who are not part of the firm may have already performed assurance work over aspects of the sustainability information, and includes requirements and guidance in this respect. For example, it emphasizes that the practitioner should evaluate the independence and competency of the other practitioner, evaluate the nature, scope and objectives of that practitioner's work, and determine whether the work is adequate for the practitioner's purposes. .</p>
<p>Ms. Gamboa highlighted that, from the US preparers' perspective, even those companies that are furthest along in developing processes around sustainability data are still in the very early stages of having those processes at the same level of rigor. Dr. Norberg also noted that internal control in sustainability reporting is a challenging area, particularly for first-time reporters as there is currently no global standard for internal control in sustainability reporting. Dr. Norberg highlighted that the practitioners will face challenges, especially in the initial engagements because of the absence of internal control systems over sustainability reporting.</p>	<p>Point noted.</p>
<p>Ms. Wolf asked if sustainability assurance is going to be performed by non-accountants, and who is the professional body that will be governing them. Mr. Thompson mentioned that according to recent IFAC publication, only 15.3% of the sustainability assurance work in the United States is being done by non-accountants. Mr. Thompson also noted that in Europe, the Corporate Sustainability Reporting Directive allows practitioners other than auditors of</p>	<p>Point noted.</p> <p>Ms. Jackson clarified that it is very clear in the standard that when performing an assurance engagement and reporting under proposed ISSA 5000, the practitioners should have the appropriate assurance skills and competencies, irrespective of whether they are professional accountants or non-accountants. Mr. Seidenstein</p>

Representatives' Comments	SATF / IAASB Response
the financial statements, to perform sustainability assurance engagements.	pointed out that according to recent research conducted by IFAC, at least one-third of the assurance engagements in the world are conducted by non-accounting professionals, and many of them use ISAE 3000 (Revised) among other frameworks. Mr. Seidenstein highlighted that one of the key elements of proposed ISSA 5000 is that practitioners must comply with the rigorous standards of ethics and quality management, and this is the main reason for the collaboration between the IAASB and IESBA. Mr. Seidenstein also noted that in IFAC's State of Play report there is a call for a global sustainability assurance standard and that IOSCO highlighted in their recent pronouncement the need for the standard to remain practitioner agnostic.
Mr. Wei stressed that all assurance service providers must comply with the same rigorous ethical and quality management requirements. Mr. Wei asked whether the SATF considers arranging for field testing during the exposure draft period, as this can be part of input collection to finalize the standard and reduce the need for guidance in the future.	Point noted. Ms. Jackson acknowledged the suggestion and clarified that there will be a lengthy comment period and that IAASB will be conducting significant outreach, including to obtain views on implementation or the operability of proposed ISSA 5000. Field testing is not planned for the exposure draft comment period.
Dr. Danbatta noted that internal control may be an area of concern since usually it is determined by management, and because of the lack of global standards on internal controls, there is an element of subjectivity as management is determining what is a sound control system. Dr. Danbatta also requested clarification on the aspect of proportionality regarding the nature and size of the institutions for which a sustainability assurance is being provided, or for the scope of the assurance engagement that, for example in the Islamic financial institutions, can be provided for a particular project rather than the whole institution.	Point noted. Ms. Jackson noted the standard is drafted to be scalable and to allow for engagements with a narrow or broad scope, as well as limited or reasonable assurance.
Ms. Altbaum requested clarification on whether the SATF has identified any particular consideration regarding communication with TCWG, particularly	Point noted.

Representatives' Comments	SATF / IAASB Response
<p>where internal control deficiencies have been identified in relation to the level of maturity of the entity's processes for preparing sustainability information, especially in the early years of reporting.</p>	<p>Ms. Jackson clarified that proposed ISSA 5000 includes requirements for communication with TCWG of any significant matters have come to the attention of the practitioner, and clarifies that this may include identified deficiencies in internal control.</p>
PRIORITY AREA: MATERIALITY	
<p>Mr. Thompson supported the approach to materiality noting that the European sustainability reporting standards require companies to embrace double materiality, and accordingly stressed the importance of "impact materiality."</p>	<p>Support noted.</p>
<p>Mr. Ishiwata noted that sustainability information includes quantitative information that is not only monetary information, but also non-monetary information, for example, greenhouse gas emissions. Therefore, when considering materiality each category should be considered separately. Mr. Ishiwata also noted that assuming the sustainability information in the consolidated financial statements, group level materiality, component level materiality, and materiality of value chain information, such as scope three greenhouse gas emissions, should also be separated.</p>	<p>Point noted.</p> <p>Ms. Jackson welcomed the suggestions of Mr. Ishiwata and the examples provided, especially in relation to value chain materiality. The SATF amended the draft standard to require materiality to be determined for quantitative disclosures and to be considered for qualitative disclosures, recognizing the disclosures may not be able to be aggregated for the purposes of materiality. The proposed standard acknowledges that materiality may need to be considered or determined for different disclosures, as the same intended users may have different information needs, and a different tolerance for misstatement, with respect to different disclosures.</p>
<p>Ms. Landell-Mills asked whether the definition of materiality used in the context of sustainability reporting is similar to that used in the audit of financial statements, which is information that would affect investor decision-making. Ms. Landell-Mills noted that quantitative thresholds are generally used as proxies for affecting decision-making, but in the context of the European Sustainable Finance Disclosures Regulation and non-financial information, the concept of using a quantitative threshold becomes irrelevant. Accordingly, Ms.</p>	<p>Point noted.</p> <p>Ms. Jackson acknowledged the importance of the comment and stated that materiality is determined by the practitioner (in both cases) through the lens of the users.</p> <p>The draft standard includes requirements for quantitative and qualitative materiality, noting that sustainability information may include either or both types of disclosures. The SATF also</p>

Representatives' Comments	SATF / IAASB Response
Landell-Mills requested clarification on the definition of materiality.	expanded and clarified the related application material for materiality.
OTHER KEY AREAS: DEFINITIONS	
<p>Dr. Orth noted that it would be helpful to understand what are the roadblocks that hinder the alignment of the definitions with those proposed by the IESBA as this is really essential to resolve and also with respect to the different reporting frameworks that would be subject to a limited or reasonable assurance engagement. Mr. Yurdakul enumerated certain definitions that are confusing: limited and reasonable assurance, partner, staff, and practitioner. Mr. Yurdakul also noted that the definition of misstatement is not correct and needs to be revised and aligned with the definition of misstatement by the International Sustainability Standards Board (ISSB).</p>	<p>Point noted.</p> <p>Ms. Jackson acknowledged the comment. Ms. Jackson also highlighted that there will be some differences in the definitions between the IAASB and IESBA because ethical standards apply to professional accountants in business as well as in public practice, but both boards are working closely to make sure that variations exist only where necessary. Mr. Botha further commented that the IESBA is looking at the definition of sustainability in a broader context than the IAASB, as for the latter the sustainability information that the practitioner is looking at is defined in the context of a process that the entity has applied to produce that information. Mr. Botha highlighted that the variations between the two boards are not significant.</p> <p>As part of the continuing efforts to clarify the definitions and align with, or bridge to, the IESBA definitions, the SATF has revised the definitions of sustainability matters and sustainability information. The SATF also developed Appendix 1 to proposed ISSA 5000 to further explain the relationship between sustainability matters, sustainability information, and the related disclosures.</p> <p>The SATF has sought to use terms that can be well understood wherever possible and provide definitions where necessary. The term engagement leader is used rather than partner, but both are defined in the draft standard. The terms limited and reasonable assurance, staff and practitioner are also defined in the draft standard.</p> <p>The term misstatement is used in the proposed standard in the context of the assurance practitioner's conclusions, and has a different</p>

Representatives' Comments	SATF / IAASB Response
	purpose to the preparer's consideration of misstatement.
<p>Mr. Suzuki requested clarifications about the definition of disclosure and how broad it is, for example, does it cover the annual report only or does it include other information such Sustainable Finance Disclosures Regulation taxonomy requirements in the European Union.</p>	<p>Point noted.</p> <p>Ms. Jackson thanked Mr. Suzuki for the feedback and stressed that the SATF tried to keep the definition of disclosure as simple as possible and explained that disclosure is the aspect of the topic or the piece of sustainability information that the entity is reporting.</p> <p>The SATF added further application material to the definition of disclosure(s) (see paragraphs A18-A19), including 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. The SATF also clarified the definition of other information.</p>
OTHER KEY AREAS: QUALITY MANAGEMENT	
<p>Dr. Danbatta thanked the SATF for the work done on the part of the standard that addresses the concern raised about non-professional accountants providing assurance services. Dr. Danbatta believes that the requirement to comply with the IESBA Code will mitigate some of the risks as it provides a framework for all sustainability assurance providers to comply with relevant ethical requirements.</p>	<p>Support noted.</p>
<p>Mr. Ishiwata expressed his concern to require all sustainability assurance providers to implement International Standard on Quality Management (ISQM) ¹⁵ from the initial phase as that may be impractical for assurance providers other than audit firms. Mr. Ishiwata suggested instead requiring a certain governance framework which has more flexibility than ISQM 1 at the initial stage. Dr. Cela added that assurance providers other than professional accountants should apply requirements</p>	<p>Point noted.</p> <p>Ms. Jackson clarified that the proposed ISSA 5000 requires compliance with ISQM 1 or other professional requirements or requirements in law or regulation that are at least as demanding as ISQM 1. Mr. Seidenstein further elaborated that this is the first time on a broad scale basis that the standards are going to be mandatory and regulated, and there should be rigorous ethical and quality management</p>

⁵ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

Representatives' Comments	SATF / IAASB Response
that are at least at the level of ISQM 1 requirements. Ms. Blomme commented that the same standard needs to be required for all providers, as the same requirements will result in a level playing field.	requirements to be applied by practitioners in applying proposed ISSA 5000 as there is on ISAE 3000 (Revised).
Dr. Norberg agreed with the approach and concurred with the comments made by Mr. Seidenstein.	Point noted.
OTHER KEY AREAS: REPORTING	
<p>Mr. Ruthman queried how ISA 720 (Revised)⁶ relates to sustainability reporting. Mr. Ruthman asked how auditors' opinions will be expressed with respect to "Other Information", when that Other Information includes sustainability information that is being assured by another assurance provider, so there may be crossover between assurance and audit engagements.</p> <p>Mr. Ruthman questioned if there is a need to review ISA 720 (Revised) to make sure that auditors don't express a conclusion that they have nothing to report with respect to the Other Information that actually includes sustainability information, with an assurance report that expressed a modified opinion or perhaps used a different level of materiality.</p> <p>Mr. Ishiwata noted that when the audit of the financial statements is not conducted by same practitioner as the sustainability assurance engagement, the requirement of ISA 720 (Revised) could conflict between the judgment of auditors and sustainability assurance providers. Mr. Ishiwata suggested that certain provisions or guidance should be included to address such conflicts, such as sufficient communication between the auditor and sustainability assurance provider before issuance of each report. Ms. Altbaum added that the potential integration of sustainability information into the financial statements needs to be well implemented especially when this information is audited by a different practitioner, and for that purpose, good</p>	<p>Point noted.</p> <p>The SATF has included requirements in the draft standard for the practitioner to read and consider other information available prior to the date of the assurance report, equivalent to the requirements in ISA 720 (Revised). The SATF has also amended the application material in the draft standard to more closely align with ISA 720 (Revised). Due to confidentiality requirements in different jurisdictions communication between the assurance practitioner and the financial statement auditor cannot be required in the draft standard, however the application material notes that the practitioner may seek access to other practitioners, such as the auditor, in the terms of engagement. In addition, the SATF has amended and expanded the requirements and application material for using the work of another practitioner, including communication with the other practitioner.</p>

⁶ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Representatives' Comments	SATF / IAASB Response
communication between the assurance provider and the auditor is key and should be emphasized.	
<p>Mr. Thompson and Ms Bloome expressed concerns over the type of sustainability reports issued by assurance providers for companies reporting sustainability information that are sophisticated enough to meet the reporting requirements. In particular that this could lead to a high number of adverse reports, disclaimers, or qualifications. Mr. Thompson acknowledged that the proposed reporting requirements are similar to those for financial statement audits, but fears that the standards may not be appropriate for sustainability reporting.</p> <p>Mr. Dalkin cited an example of a government situation where a number of organizations were required to have audits for the first time and approximately 80% of these organizations had disclaimed or modified opinions, but it was somewhat expected.</p> <p>Dr. Norberg shared the concerns raised by Mr. Thompson and Ms. Blomme about the proposed standard for sustainability reporting and suggested that it cannot be compared to financial reporting because the assumptions and starting points are different. Dr. Norberg also acknowledged the risk of numerous sustainability assurance reports issued being modified and he believes that the root cause of the problem is the European Union's short time frame for mandating the Corporate Sustainability Reporting Directive, which is a matter out of the IAASB's control.</p>	<p>Point noted.</p> <p>Ms. Jackson acknowledged the potential impact and highlighted that it is in the public interest that the practitioner, based on the evidence they have obtained, draws the appropriate conclusion and reports accordingly.</p>
Mr. Ishiwata suggested, to add more clarity and understandability by the users, to include a table showing the different types of audit opinions similar to ISA 700 (Revised). ⁷	<p>Point noted.</p> <p>Appendix 2 of proposed ISSA 5000 includes four Illustrations of assurance reports on sustainability information. The appendix includes a table explaining the different types of illustrative reports, as is done in ISA 700 (Revised).</p>

⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

Representatives' Comments	SATF / IAASB Response
<p>Ms. Landell-Mills supported the point made in the presentation that there should be consistency between the financial statements and the non-financial disclosures and if something is being presented within the non-financial information which is actually not consistent with what's being presented in the financial statements, it definitely needs to be commented on.</p>	<p>Point noted.</p> <p>The requirements related to other information in proposed ISSA 5000 address this point (see paragraphs 155-158 and the related application material).</p>
<p>Ms. Blomme acknowledged the existing standards around sustainability reporting and agreed with previous comments made. She suggested that the SATF should also consider practical aspects, such as the longer timeline for sustainability reporting and assurance compared to financial statements audit.</p>	<p>Point noted.</p>
<p>Ms. Altbaum noted that with regard to the auditor's ability to withdraw if he is unable to obtain sufficient appropriate audit evidence, it might be useful to provide guidance explaining that in most cases it is more useful for the user to see a disclaimer of opinion rather than the practitioner withdrawing. The guidance could also clarify the extreme circumstances in which withdrawal may be appropriate.</p>	<p>Point noted.</p> <p>The SATF included requirements and application material in the draft standard on withdrawing from the engagement consistent with the approach in existing IAASB standards. The SATF added additional application material on when it would be appropriate to withdraw when there is a refusal to correct a material misstatement in the other information.</p>
<p>Dr. Manabat suggested the preparation of a template report to serve as proper guidance, and this template to include an example for exceptions or qualifications as needed.</p>	<p>Point noted.</p> <p>Ms. Jackson drew attention to the fact that illustrative examples will be presented to the Board.</p> <p>The example illustrative assurance reports were presented to the Board in April 2023. The example reports included in the draft standard reflect the comments and suggestions from the Board, including an additional example of a modified conclusion for a limited assurance engagement.</p>
OTHER MATTERS	
<p>Mr. Bini noted that the IASB issued a public statement in October 2022 to consider the effect of</p>	<p>Point noted.</p>

Representatives' Comments	SATF / IAASB Response
<p>sustainability and especially climate change on impairment tests. Mr. Bini sees this as a classic example of a cross-consideration between classical financial information and the sustainability report and he thinks that in the future this connection will be stronger and stronger and especially under the perspective of business valuation for impairment testing and valuation for financial reporting. Mr. Bini suggested considering this intersection between financial and sustainability reporting.</p>	
<p>Mr. Thompson acknowledged that it is very encouraging to see from the outset that scalability has been factored into the draft standard, reflecting the public interest framework. Mr. Thompson noted that there is a need to mobilize resources and build capacity before the implementation of the new standard for sustainability reporting. Mr. Thompson also mentioned that the ISSB has committed to developing further guidance and training materials and has already formed a multi-partner capacity-building program. Mr. Thompson stated that capacity building will be a monumental task for the profession.</p>	<p>Support noted.</p>
<p>Dr. Danbatta asked whether the implementation date of the proposed ISSA 5000 has been set.</p>	<p>Point noted.</p> <p>Ms. Jackson highlighted that as part of the due process, IAASB will seek feedback on this matter in the exposure period. Ms. Jackson also noted that the IAASB is also coordinating with the IESBA on this matter.</p> <p>The SATF is seeking the IAASB's view at the June meeting on the proposed implementation period to be included in the Explanatory Memorandum.</p>
<p>Mr. Dalkin asked Ms. Jackson what the biggest challenges she anticipates completing this project.</p>	<p>Ms. Jackson highlighted that the SATF is drawing guidance from existing standards when developing proposed ISSA 5000, but because this is an overarching standard, the biggest challenge resides in striking the right balance in the provision of material for practitioners who are less familiar with IAASB's standards.</p>

Material Presented – IAASB CAG Papers

Agenda Item B.1	Presentation
Agenda Item B.2	June 2023 Agenda Item 2-D - Proposed ISSA 5000 - Objectives-Definitions-Requirements (clean)
Agenda Item B.3	June 2023 Agenda Item 2-E - Proposed ISSA 5000 - Application Material (clean)
Agenda Item B.4	June 2023 Agenda Item 2-F - Proposed ISSA 5000 - Appendices (clean)

Material Presented – IAASB CAG Reference Papers

Agenda Item B.5	June 2023 Agenda Item 2 - Issues and Recommendations
Agenda Item B.6	June 2023 Agenda Item 2-A - Explanation of Significant Changes
Agenda Item B.7	June 2023 Agenda Item 2-G - Conforming and Consequential Amendments

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
- Warren Maroun, IAASB Member
- Isabelle Tracq-Sengeissen, IAASB Member
- Wolfgang Böhm, IAASB Technical Advisor
- Neil Morris, IAASB Member
- Bill Edge, IAASB Member

Drafting Team

- Johanna Field, IAASB Technical Advisor
- Susan Jones, IAASB Technical Advisor
- Jamie Shannon, IAASB Technical Advisor

Summary

	IAASB CAG Meeting	IAASB Meeting
Information Gathering	March 2022	June 2021 March 2022 June 2022
Project Proposal	September 2022	September 2022
Exposure Draft	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)
Project Proposal	<u>September 2022</u> See IAASB CAG meeting material (Agenda Item H)
Exposure Draft	<u>March 2023</u> See IAASB CAG meeting material (Agenda Item C)