

Sustainability Assurance – Scope and Applicability of Proposed ISSA 5000

This Agenda Item includes the analysis of comments received on Question 3 in the Explanatory Memorandum to ED-5000, and the related SATF views and recommendations.

Background

1. The IAASB noted the need for a clear and straightforward approach regarding the relationship of ED-5000 and ISAE 3410.¹ The IAASB concluded that ED-5000 should apply to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies (see paragraph 2 of ED-5000). The IAASB was of the view that this straightforward approach helps to highlight ED-5000 as the global baseline standard for assurance engagements on sustainability information.
2. The IAASB acknowledged that any decisions about ISAE 3410 will be a part of further deliberations by the IAASB in connection with future strategy and work plans.

What We Asked

3. Question 3 asked respondents:

Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

107 of 143 respondents provided a response to question 3. All four MG members were among those that did not respond. See **Agenda Item 3-I.2** for further details on the overall responses and **Agenda Item 3-J.2** for comments received.

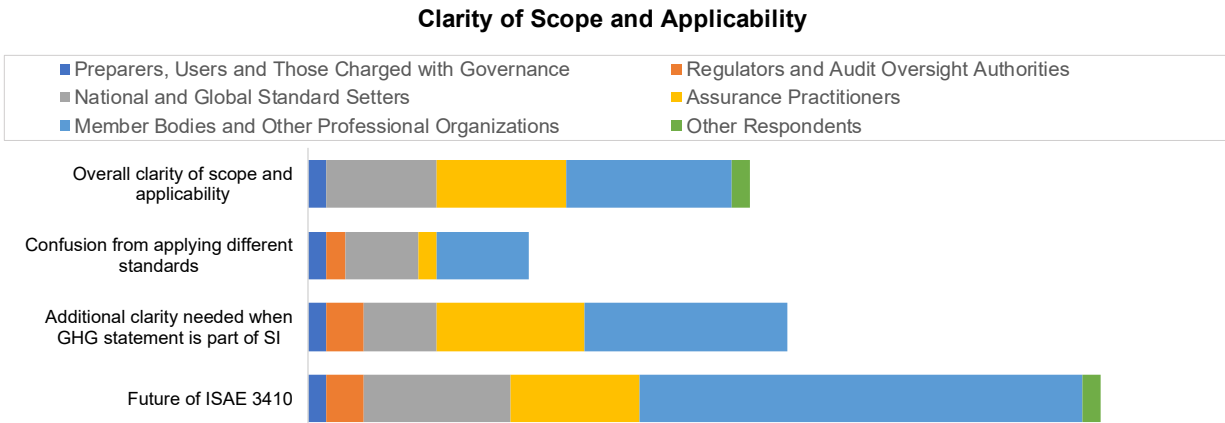
What We Heard

Highlights

- Additional clarity is needed about the scope and applicability of ED-5000 as described in paragraph 2 of ED-5000, particularly when the sustainability information includes GHG information that does not comprise a “GHG statement.”
- The different approaches to risk assessment in ED-5000 and ISAE 3410 would result in different procedures being performed for a limited assurance engagement on a GHG statement that is presented along with other sustainability information, depending on whether a separate conclusion is provided on the GHG statement.
- ISAE 3410 should be integrated into the ISSA suite of standards or relevant requirements from ISAE 3410 should be incorporated into proposed ISSA 5000, along with additional guidance as necessary.

¹ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

4. The chart below shows a breakdown of the comments on Question 3 by theme and stakeholder group.



Monitoring Group Comments

5. None of the Monitoring Group members responded to this question.

Other Respondents' Comments

6. Respondents that supported the overall clarity of the scope and applicability of ED-5000 noted the following:
- (a) The scope and applicability are clear when a greenhouse gas (GHG) statement is presented along with other sustainability information and a separate conclusion is provided on the GHG statement, but less clear for an assurance engagement that includes GHG information that does not comprise a "GHG statement" along with other sustainability information.
 - (b) Additional clarity may be needed on the overall relationship between proposed ISSA 5000, ISAE 3410 and ISAE 3000 (Revised) (e.g., circumstances in which the assurance engagement covers other matters in addition to GHG and other sustainability information).
 - (c) Because the scope and applicability are clear, there is no need to emphasize that the practitioner would not be required to apply ISAE 3000 (Revised) as is done in paragraph 10 of ED-5000.
7. Respondents that indicated that the scope and applicability of ED-5000 are not clear spanned all stakeholder groups. Comments from these respondents are summarized in paragraphs 8 and 9 below.

GHG Information Presented That Does Not Comprise a GHG Statement

8. Respondents indicated that the scope and applicability of ED-5000 were not clear in circumstances when GHG information is presented that is not in the form of a GHG statement, as defined in ISAE 3410, and also when a GHG statement is presented along with other sustainability information. Specific comments included the following:
- (a) As written, paragraph 2 of ED-5000 is confusing because it can be interpreted to mean that ISAE 3410 applies when the practitioner is providing a separate conclusion on a GHG statement, even if the GHG statement is part of a broader set of sustainability information (i.e.,

a view that proposed ISSA 5000 does not apply at all in these circumstances). Other respondents noted in any event that paragraph 2 on its own does not adequately describe the applicability of the standard when the assurance engagement includes GHG information that does not comprise a GHG statement.

- (b) The intent of paragraph 2 of ED-5000 is not clear. Some respondents had the view that the intent is to *require* the practitioner to provide a separate conclusion on a GHG statement that is included with other sustainability information. Other respondents had the view that it is left to the practitioner to decide whether to provide an overall conclusion on the sustainability information or separate conclusions on the GHG statement or other disclosures, taking into account the engagement circumstances and the applicable criteria.
- (c) Additional guidance is needed or would be helpful about:
 - When it is acceptable or expected for the practitioner to provide a separate conclusion on the GHG statement, and when or whether this should constitute a separate engagement. Respondents with this view noted that, without additional clarity, there is a risk that assurance engagements could be structured to meet particular assurance standards.
 - Circumstances in which a separate conclusion on a GHG statement is required by law or regulation and that GHG statement is also part of a broader set of sustainability disclosures subject to an assurance engagement.
 - Whether separate conclusions are to be presented in separate assurance reports or in a single report. One or more illustrative reports would also be helpful in that regard.
 - What constitutes a “separate conclusion.”
- (d) The IAASB should consider adding a definition of GHG statement to proposed ISSA 5000 or should otherwise provide guidance to help practitioners determine whether ISSA 5000 or ISAE 3410 applies.

Differential Requirements and Work Effort When Both ISSA 5000 and ISAE 3410 Are Applied

9. Respondents pointed out that a limited assurance engagement on a GHG statement under ISAE 3410 would involve a different level of work effort than a limited assurance engagement performed under proposed ISSA 5000. This is principally due to the different approaches to risk assessment (i.e., ISAE 3410 requires the practitioner to identify and assess risks of material misstatement at the GHG statement level as well as for material types of emissions and disclosures, whereas ED-5000 requires practitioners to design and perform risk procedures to identify disclosures where material misstatements are likely to arise). Therefore, this could result in different procedures being performed for a limited assurance engagement on a GHG statement that is presented along with other sustainability information, depending on whether a separate conclusion is provided on the GHG statement. Respondents noted that this is potentially confusing to practitioners. In addition, the fact that a different level of work may be performed for risk assessment for limited assurance when ISSA 5000 is used rather than ISAE 3410 may not be understood or transparent to users of the sustainability information.

Future Plans for ISAE 3410

10. Respondents had various suggestions regarding the future of ISAE 3410, recognizing that any decisions will be made in connection with the IAASB's future strategy and work plans. It was noted that ISAE 3410 was issued in 2012 and the focus on GHG statements may not be as relevant in the current environment because entities are likely to be presenting GHG or emissions information as part of a broader set of sustainability information.
11. Options noted by respondents included:
 - (a) Integrate ISAE 3410 into the ISSA suite of standards. This may include withdrawing ISAE 3410, updating it as needed and reissuing it as topic-specific standard in the ISSA suite. Respondents that suggested this option noted that the scope of such a revised, topic-specific standard should apply to GHG emissions that are in scope for a sustainability assurance engagement, regardless of whether such emissions are presented in the form of a GHG statement. The result would be to make it clear that proposed ISSA 5000 is the baseline standard for all sustainability information.
 - (b) Incorporate relevant requirements from ISAE 3410 into proposed ISSA 5000 along with additional guidance as necessary. It was noted that ED-5000 already includes certain requirements from ISAE 3410 (as explained in paragraph 21 of the EM to ED-5000) so the additional requirements and guidance to include in ED-5000 would relate to specific unique technical aspects of assurance on GHG information.
12. In any event, respondents recommended that the IAASB communicate with stakeholders about its plans for ISAE 3410 and the related timeline.

Conforming Amendments

13. Respondents suggested certain changes or additions to the conforming amendments to ISAE 3410 and ISAE 3000 (Revised), in parallel with the suggested changes to the scope and applicability of ED-5000, to clarify the interaction among the three standards.

SATF Views and Recommendations

References to Relevant Paragraphs in Agenda Item 3-H		
Introduction and Requirements	Application Material	Related Definitions
6A	NA	NA

14. The SATF noted the views of respondents from across stakeholder groups that the scope and applicability of ED-5000 are not clear. Even respondents that supported the approach in ED-5000 commented about the need for additional explanation or guidance for situations in which the sustainability information includes GHG information that does not comprise a "GHG statement."
15. The SATF also noted that ISAE 3410 requires a conclusion on a GHG statement, and applies to assurance engagements with respect to GHG statements other than when the GHG statement is a

relatively minor part of the overall information subject to assurance.² This may have contributed to the confusion about the intent of paragraph 2 of ED-5000, as described in paragraph 8(b) above.

16. The SATF discussed the following scenarios,³ which were mentioned most often by respondents regarding the applicability of ED-5000 and ISAE 3410:

<i>Sustainability Information Presented by the Entity</i>	<i>Applicable Standard(s)</i>
GHG statement only <i>(In this case, the engagement performed relates to the GHG statement. Note that some respondents indicated that this may be less likely in the current environment, given that reporting frameworks, or law or regulation, ordinarily require broader disclosures about GHG or emissions information.)</i>	ISAE 3410
GHG statement along with other sustainability information – a single conclusion on the entirety of the information subject to assurance	ISSA 5000
GHG statement along with other sustainability information – a separate conclusion on the GHG statement and one or more conclusions on other sustainability information subject to assurance <i>(As explained in paragraph 8(c) above, the notion of separate conclusions was confusing to some respondents and raised concerns about the assurance conclusion(s) driving the appropriate standard to use, which was not the intent of ED-5000.)</i>	ISAE 3410 – GHG statement ISSA 5000 – remainder
GHG/emissions information (not in the form of a GHG statement) included in the sustainability information	ISSA 5000

Scope and Applicability of Proposed ISSA 5000

17. As noted in the presentation to the Board in December, feedback from the roundtables and other outreach indicated a view by some that the approach taken in paragraph 2 of ED-5000 is inherently inconsistent. Sustainability information is defined as information about sustainability matters, and matters relating to climate, including GHG emissions, are a topic that may be covered as part of the sustainability information reported. Therefore, information about GHG emissions is sustainability information (as defined in ED-5000). Following this line of thinking, it seems illogical to apply two different standards to a sustainability assurance engagement simply because of the format of the sustainability information presented. In addition, having to apply two different standards is inconsistent with the IAASB's intent for ISSA 5000 to be the baseline standard for all sustainability information.

² ISAE 3410, paragraph 3(a)

³ The SATF noted that there may be other possible scenarios, but trying to capture and consider all the possibilities would only add confusion and is not necessary to agree on a way forward.

18. The confusion is further exacerbated by the fact that some respondents to ED-5000 were unclear about when GHG emissions information constitutes a “GHG statement” or seemed to be equating GHG or emissions disclosures with a GHG statement. The SATF noted that the definition of a “GHG statement” in ISAE 3410 incorporates emissions as defined in the standard (essentially Scope 1, 2 and 3 emissions), *along with, where applicable, comparative information and explanatory notes, including a summary of significant quantification and reporting policies* (emphasis added). The definition further notes that a GHG statement may also include a categorized listing of removals or emissions deductions.
19. The SATF discussed that, based on current sustainability reporting practices and the requirements of sustainability reporting frameworks, GHG emissions information would meet the definition of a “GHG statement.” Therefore, in essence there is no longer a distinction between the two. In addition, in the current reporting environment, the reporting framework, or law or regulation, may require disclosure of comparative information or information about reporting policies, which may further blur the distinction between GHG information and a GHG statement.
20. The SATF also discussed respondent comments about the different level of work effort for risk procedures for a limited assurance engagement between ISAE 3410 and ED-5000, as noted in paragraph 9 above. The SATF was of the view that the differences between the two standards would be further narrowed if proposed ISSA 5000 was aligned with ISAE 3410 and required a risk assessment for limited assurance engagements (see further discussion in paragraphs 56-58 of **Agenda Item 3-F**).
21. In view of the above, the SATF agreed that the clearest and simplest approach would be for ISSA 5000 to apply to all assurance engagements on sustainability information. This would include all circumstances in which GHG-related information is presented by the entity and subject to the assurance engagement, regardless of the form of that information (i.e., whether or not presented in the form of a “GHG statement”). However, the SATF recognized that this would also entail a comparison of the requirements in ISAE 3410 to proposed ISSA 5000 (as currently revised in response to comments on ED-5000) to determine whether there is anything incremental needed to address unique aspects of assurance on GHG-related information.
22. **Agenda Item 3-A.1** is a reference paper that provides a high-level comparison of the introductory paragraphs, definitions and requirements in ISAE 3410 with the requirements in proposed ISSA 5000 (Revised) as presented in **Agenda Item 3-H**. Based on this comparison, the SATF concluded that there are no significant “gaps” in the requirements. The SATF is therefore of the view that proposed ISSA 5000 can apply for all sustainability assurance engagements (i.e., ISAE 3410 is no longer needed as a separate standard for assurance engagements on GHG statements). In reaching this conclusion, the SATF noted the following:
 - (a) The proposed requirement for a risk assessment for limited assurance engagements closes what may have been viewed as the most significant gap between ISAE 3410 and proposed ISSA 5000.
 - (b) As described in paragraph 19 above, in the current reporting environment, the distinction between GHG emissions and a GHG statement is artificial.
 - (c) The introductory material in ISAE 3410 and application material specific to GHG emissions is still valuable and therefore further consideration can be given to repurposing some of this material (e.g., as topic-specific guidance or examples in the implementation guidance for

proposed ISSA 5000). The SATF noted that it may be possible to include some of this material in the application material in proposed ISSA 5000, but cautioned against creating an imbalance by overemphasizing GHG emissions guidance and examples in an overarching standard that is intended to apply for all sustainability matters.

- (d) Further discussion will be needed about ISAE 3410, including related due process considerations for sunseting the standard, integrating it in some way into the ISSA suite of standards, or repurposing parts of the standard (see paragraphs 24-25 below).
23. Subject to the outcome of the Board discussions on the scope and applicability of proposed ISSA 5000, the SATF has proposed moving paragraph 2 of ED-5000 to the Scope section of the standard as suggested by some respondents (see new paragraph 6A in **Agenda Item 3-H**). The SATF agrees that this paragraph is more related to, and therefore better positioned as part of, the scope of the standard.

Future of ISAE 3410

24. Staff has discussed with the IAASB Program and Technical Director the way forward for ISAE 3410 if the Board agrees with the SATF recommendation for proposed ISSA 5000 to apply for all sustainability assurance engagements. Relevant considerations include the following:
- (a) Until such time as proposed ISSA 5000 becomes effective, ISAE 3410 will continue to apply for assurance engagements related to GHG statements.
 - (b) Research may be needed about whether law or regulation in any jurisdictions may require ISAE 3410 to be used for assurance on GHG statements.
 - (c) Any decision to sunset ISAE 3410 is subject to a vote of the IAASB.
25. The SATF discussed that there is time to consider options for the future of ISAE 3410, including whether and how to repurpose GHG statement-specific material. Therefore, the March discussion will be focused on whether the Board agrees with the SATF recommendation for proposed ISSA 5000 to apply to all sustainability assurance engagements, and whether the Board foresees any obstacles to doing so.

Conforming Amendments

26. The SATF has not yet considered the revisions to the conforming amendments that may be needed to ISAE 3000 (Revised) or ISAE 3410, pending the outcome of the Board's discussions on the scope and applicability of proposed ISSA 5000. This will be done and presented to the IAASB for discussion in June or September 2024.

Matters for IAASB Consideration

1. The IAASB is asked for its views on the SATF's recommendations and proposed revisions to ED-5000, as described above. In particular, the SATF seeks the Board's input on the recommendation for proposed ISSA 5000 to apply to all sustainability assurance engagements (see paragraphs 17-23 above).