



Mr Tom Seidenstein
Chair, International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, New York 10017

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Dear Tom

Submission by Deakin University Integrated Reporting Centre

Thank you for the opportunity for us as principals of the Deakin University Integrated Reporting Centre to make a submission on this important consultation.

In line with the mission of our Centre, our submission concentrates on integrated reporting assurance as a component of sustainability reporting assurance with distinguishing features. Whilst our submission is prepared in accordance with this lens, we also provide informed and agreed responses on other areas requested for comment.

Integrated reporting assurance is in-scope for the overarching, framework-neutral ISSA 5000 as integrated reporting is a component of sustainability-related financial reporting as that term and the concept of 'sustainability' is understood within the IFRS Foundation and IAASB, where the six capitals of the Integrated Reporting Framework inform the definition of sustainability and value creation.

While the fundamental concepts and guiding principles included in the Integrated Reporting Framework are being incorporated into the standard setting and technical work of both the IASB and ISSB, the practice of integrated reporting is currently driven by the market as the Integrated Reporting Framework is, at least currently, a non-mandatory framework driven through best practice ('if not, why not?') corporate governance codes or market practice rather than through IFRS Accounting or Sustainability Standards.

The long-term future of the Integrated Reporting Framework appears secure under the ownership of the IFRS Foundation. The chairs of the IASB and ISSB made this clear and recommended continued adoption of the Framework in their joint announcement of May 2022. Since then the two standard setting boards have made it clear that the concepts and principles of the Framework will not be diluted notwithstanding that there will be a consultation on integration in reporting, probably in May 2023.

If the market feedback favours development of further sustainability topic standards in advance of taking steps to drive more widespread adoption of integrated reporting, it is likely that the two boards will recommend continued adoption of the Framework in its current form. In addition, the market is already moving towards a more integrated approach to assuring financial and non-financial information, including integrated reporting assurance.

IFRS Sustainability Disclosure Standards S1 and S2 contain elements from the Integrated Reporting Framework and TCFD Recommendations as to describing the organisation's approach to governance, strategy and risk management. The distinguishing features of integrated reporting assurance (including the Integrated Reporting Framework / TCFD-driven elements of S1 and S2) relate to the description of *The Business* in an integrated report, which provides context for the metrics and associated disclosures as to the performance and prospects of *The Business*.

S1 and S2 will be issued and effective in the same timeframe that ISSA 5000 comes to market. It is likely that the IFRS Foundation will have defined the long-term future of integrated reporting and the Integrated Reporting Framework in that timeframe. This submission proceeds on the assumption that there will be certainty about the Integrated Reporting Framework when ISSA 5000 is published in 2024.

This submission draws attention to Example 10 of the IAASB's Extended External Reporting Assurance (EERA) Guidance and the drafting which led to the final Example 10, aspects of which were not carried into the final example. These examples are available materials on which the IAASB can draw for the purposes of incorporation into either the exposure draft or final ISSA 5000.

Assurance practitioners will need to make judgements on these matters when they **first** use ISSA 5000 in integrated reporting assurance engagements. This area was not covered in the final Example 10 and so is not covered in the pre-exposure draft of ISSA 5000. These judgements can be complex and need to be addressed in the first version of ISSA 5000. If this area cannot be factored into the exposure draft then we recommend that it be incorporated in the final ISSA 5000. It will be equally important for preparers (including boards of directors and management teams) and users to be educated on these matters.

The submission contains a table with details on this matter. The drafting contained three separate examples, 10A, 10B and 10C. Examples 10A and 10B focus on the pre- and early stages of an integrated reporting assurance engagement - appropriate practitioner competencies and capabilities, professional scepticism and judgement (Example 10A) and determining whether the pre-conditions for assurance have been met (Example 10B).

The matters addressed in Example 10C, though critical, are not as urgent as they relate to in-engagement matters - gathering and evaluating evidence and assessing the risks of material misstatement. We note that the final Example 10 contained limited aspects of the drafting in relation to measurement / metrics and qualitative and forward-looking information. The examples across all of the EERA Guidance sufficiently address these matters for the first version of ISSA 5000 and can be more specifically addressed subsequently in a bespoke ISSA standard on integrated reporting assurance.

The Deakin University Integrated Reporting Centre

The Deakin University Integrated Reporting Centre (DIRC) is an independent thought leadership centre with deep connections into academia, accounting and assurance standard-setting, and the business

world. It provides leadership across three pillars in integrated reporting: thought leadership and engagement, education and training, and research. It also provides the Secretariat for the Australian Business Reporting Leaders Forum.

The Business Reporting Leaders Forum is a discussion forum. It is the IFRS Foundation's designated Integrated Reporting Community for Australia and is a reporting stakeholder to the Financial Reporting Council (FRC). Accordingly, it has direct international connectivity and a strong local voice. Its mission is to drive better business reporting with a focus on integrated reporting and integrated reporting assurance, and producing support research, thought leadership and education in integrated reporting and integrated reporting assurance.

This consultation is core to the missions of both the DIRC and BRLF given the importance of integrated reporting and integrated reporting assurance to well-functioning capital markets, well-informed stakeholders and the public interest within a better business reporting context. We make this submission solely on behalf of the DIRC and offer any required assistance to the IAASB.

Yours faithfully



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Introduction

As to the long-term future of the Integrated Reporting Framework under the ownership of the IFRS Foundation. Andreas Barckow, Chair of the IASB, and Emmanuel Faber, Chair of the ISSB, recommended continued adoption of the Framework in their joint announcement of May 2022:

“We are convinced that the Integrated Reporting Framework drives high-quality corporate reporting and connectivity between financial statements and sustainability-related financial disclosures which improves the quality of information provided to investors. Therefore, we strongly encourage continued use of the Integrated Reporting Framework and the Integrated Thinking Principles underpinning it.”

At its December 2022 meeting, the ISSB Board tentatively decided to clarify the objective of draft IFRS Sustainability Disclosure Standard S1, ‘General Requirements’ (S1) by using concepts from the Integrated Reporting Framework and describing:

- how the value that an entity creates, preserves or erodes for itself and for its investors and creditors is inextricably linked to the value the entity creates for other stakeholders, society and the natural environment;
- how an entity uses its resources and relationships in creating value for itself and for its investors and creditors; how an entity’s reliance on its resources and relationships and the entity’s negative or positive effects on its resources and relationships can give rise to sustainability-related risks and opportunities for the entity; and
- how sustainability-related risks and opportunities can affect an entity’s performance, prospects, business model, strategy, and the value the entity creates for itself and for its investors and creditors over the short, medium and long term.

The final standard, expected to be published before 30 June 2023, is expected to reflect this decision and associated concept of sustainability.

In accordance with the expected requirements that an entity disclose information required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting, and research showing benefits of the same assurance provider assessing both the financial and sustainability information¹, the market practice of integrated reporting assurance is rapidly gathering momentum.

Questions asked by the IAASB

Set out below are our responses to the questions asked in the consultation paper on the IAASB’s 2024-27 strategy and work plan. Our responses will also feature in our submission on the ISSA 5000 Exposure Draft.

¹ For example, Lu, M., R. Simnett and S. Zhou, 2023 “Using the Same Provider for Financial Statement Audit and Assurance of Extended External Reports: Choices and Consequences”, *Auditing: A Journal of Practice & Theory*, Vol. 42 No. 1 125-154.

Questions

1. Do you agree with Our Proposed Goal, and Proposed Keys to Success and Stakeholder Value Proposition?

We agree with the proposed goal of developing the globally accepted and leading audit, assurance, and related services standards enabling the performance of high-quality engagements that enhance trust in markets and evolve in a timely manner to meet rapidly changing public interest demands. We also agree with the proposed Keys to Success, Stakeholder Value Proposition and associated proposals.

2. Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal?

We agree that the Proposed Strategic Drivers as the key environmental factors that drive opportunities and challenges to achieving the goal.

3. Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions?

We agree with the Proposed Strategic Objectives. Set out below are comments on Proposed Strategic Objectives 2, 3 and 4.

Proposed Strategic Objective 2

We agree with the plan to complete the overarching ISSA 5000 by the end of 2024; and the plan to initiate further bespoke standards on sustainability assurance to complement ISSA 5000 during the 2024-27 strategy period.

Based on the pre-exposure draft of ISSA 5000 considered by the IAASB Board at its March 2023 meeting, we make recommendations as to further standards on sustainability assurance, and their prioritisation, on the assumption that these matters cannot be addressed after the Exposure Draft has been issued and before the final standard is issued. The timing of and results from the forthcoming agenda consultation on the ISSB's proposed project in relation to integration in reporting are critical to this assumption².

We agree with the proposed strategic action of monitoring the need for and developing timely first-time implementation support materials for ISSA 5000. In fact, as explained in our answer to Question 6, we believe that a high priority should be given to developing first-time implementation support materials on establishing the pre-conditions for assurance under ISSA 5000 given that implementing all of IFRS Sustainability Disclosure Standards, the Integrated Reporting Framework and ISSA 5000 in relation to the two IFRS Foundation resources³ will be new to most assurance practitioners.

So too will be preparers getting ready for assurance who equally need to know what obtaining assurance will mean for them. They will be asked questions by the assurance practitioner that they have not been asked before and will need guidance on being prepared, or the success of ISSA 5000 in relation to integrated reporting assurance and the TCFD / Integrated Reporting Framework-derived content in S1 and S2 may be threatened.

² The Meeting Summary for the March 2023 ISSB Board meeting was not available at the time of finalising this submission. In the absence of that Summary, the Staff paper considered at that meeting explained to move from the concept of connectivity to the broader concept of 'integration in reporting': "the staff recommends that, within the Request for Information: (a) the scope of the connectivity project be expanded to be more broadly focused on 'integration in reporting' such that this project would support the pursuit of integrated disclosures beyond the requirements on connected information contained in S1 and S2; (b) the requirements of S1 and S2 related to connected information be articulated in order to provide necessary context when considering the project on 'integration in reporting' ...".

³ The TCFD Recommendations make recommendations about reporting descriptive material on Governance, Strategy, Risk Management and Metrics in relation to climate-related risks and opportunities. Reporting on governance, strategy, risk management and metrics are content elements of the Integrated Reporting Framework, among others.

Guidance from the IAASB in this area will be an important companion to and ingredient of the ISSB's capacity building initiative – in relation to preparers need to be ready for assurance as well as assurance practitioners. This is to be contrasted with sustainability reporting assurance engagements under GRI Standards, the TCFD Recommendations and wholly self-determined sustainability metrics which have well established⁴ practice.

In relation to the above, continued co-ordination with IESBA and international and jurisdictional bodies with responsibility for sustainability reporting and sustainability reporting assurance requirements or standards is critical, as is widely promoting the adoption and effective implementation of IAASB sustainability assurance standard(s).

Understanding the issues that sustainability reporting assurance practitioners and stakeholders using reports, including integrated reports, containing assured sustainability information are facing with respect to sustainability reporting and its assurance is important, as is identifying coordination opportunities to enhance sustainability reporting and its assurance within the external reporting ecosystem.

Proposed Strategic Objective 3

In relation to Proposed Strategic Objective 3, maintaining and enhancing coordination efforts with IESBA in the traditional area of audits and reviews of financial statements, as well as the area of sustainability and other assurance engagements, is critical.

In working with IESBA, the IAASB should work with relevant authorities to require any practitioner purporting to assure sustainability reporting disclosures do so under ASAE 3000 and later ISSA 5000, and that all sustainability reporting assurance practice be under regulatory coverage, potentially through a model emulating a company auditor registration regime. If that model is to be developed by building on regulators as they are today, the regulator's knowledge, skills and experience would need to be bolstered with specialist resources in integrated reporting and the Integrated Reporting Framework, IFRS Sustainability Reporting Standards and sustainability and integrated reporting assurance standards and practice.

Continuing two-way liaison with the International Accounting Standards Board (IASB) and the ISSB is important, including in relation to joint responsibility of those boards for the Integrated Reporting Framework and Integrated Thinking Principles.

We also believe that two-way liaison between the IAASB and Integrated Reporting and Connectivity Council (IRCC) will be important in relation to the Integrated Reporting Framework. The IRCC is an advisory body to each of the Trustees of the IFRS Foundation, the IASB and the ISSB in relation to integrated reporting. Such advice includes providing the input on assurability matters in relation to IAASB sustainability reporting assurance standards, thereby contributing to the quality of sustainability reporting.

Proposed Strategic Objective 4

In relation to Proposed Strategic Objective 4, we recommend that with the support of the PIOB's Nominating Committees, there is a need to ensure that the IAASB and IESBA Boards have the

⁴ IFAC's 2023 update to its 'The State of Play in Sustainability Reporting and Assurance' reports in relation to 2021 reporting (prior to integrated reporting assurance being obtained by only a few), that 95% of large companies across 14 leading jurisdictions report on ESG information and 64% of these obtain some form of assurance over that information. In relation to this assurance, 49% referenced SASB Standards, 63% referenced the TCFD Recommendations, 74% referenced GRI Standards and 79% referenced the SDGs. Those who have been obtaining assurance under SASB Standards and the TCFD Recommendations will have a head start when it comes to obtaining assurance under IFRS Sustainability Disclosure Standards and the Integrated Reporting Framework given the focus in the latter of sustainability-related financial matters as distinct from all sustainability matters under GRI Standards.

necessary expertise to respond to evolving public interest demands in all areas of sustainability reporting assurance, particularly integrated reporting assurance.

4. *Do you support the identified possible new standard-setting projects as set out in Table B within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.*

We believe that the possible project on ISA 720, 'The Auditor's Responsibilities Relating to Other Information', should be prioritised, or that ISSA 5000 should incorporate integrated reporting assurance content in relation to 'other information'.

As assurance moves further towards all-of-report assurance (eg of the entire annual report), and less focused on assuring an individual report in an annual report (eg financial statements) or individual disclosures within a report (eg sustainability metrics within an annual report, financial statements or an integrated report), the profile of 'other information' under ISA 720 will increasingly transition to 'subject matter information' under ISSA 5000.

We believe that the public interest will best be met by maximising the proportion of information within an annual report that is *subject matter information* that is independently assured, enhancing the credibility of that information, rather than remaining *other information* on which financial statement audit reports usually contain boilerplate information rather than information enhancing the credibility of the other information. We recommend that either ISSA 5000 or a revised ISA 720 should cover this matter and that IAASB guidance on related services should support sustainability reporting practitioners in assisting their preparer clients in broadening the scope of assurance by *transitioning other information to subject matter information* with associated benefits to investors and other stakeholders.

We also believe that the possible project on ISA 620, 'Using the Work of an Auditor's Expert' should be prioritised or that ISA 620-derived content should be incorporated into ISSA 5000. The use of experts in financial statement audits (for example, tax and IT specialists) is a long-standing and well-established practice. The use of experts (for example, climate and other sustainability topic-specific subject matter experts) in sustainability reporting assurance engagements is being embedded in ISSA 5000 by drawing on and adapting ISA 620.

However, there will be a need for assurance team members who are experts in distinguishing between sustainability-related financial disclosures (the focus on S1 and S2) and other sustainability reporting disclosures (the focus of GRI Standards) in sustainability reporting assurance engagements under S1 and S2.

As integrated reporting assurance becomes more widespread, either ISSA 5000 will also need to provide examples of subject matter experts in areas such as governance, strategic management, business models and risk management; or in ISA 620-derived content in a bespoke integrated reporting assurance standard.

5. *Do you support the identified possible new standard-setting projects as set out in Table B within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards.*

We agree with the decision to apply a phased approach to address the needs for assurance standards on sustainability reporting, beginning with the overarching framework-neutral, practitioner-agnostic ISSA 5000. We also agree with the strategy for future actions to be aligned with the evolving maturity over time of the needs of intended users of sustainability information, sustainability reporting standards, reporting in accordance with such standards, and assurance

practice, building a suite of bespoke standards on more specific requirements of individual elements of the assurance engagement or individual elements of an entity's sustainability reporting.

A bespoke integrated reporting assurance standard

Integrated reporting assurance is an example of a form of sustainability reporting which in our view requires a bespoke standard. Just as integrated reporting is an important component of sustainability reporting, integrated reporting assurance is an important component of sustainability reporting assurance. This was recognised by the inclusion of an integrated reporting assurance example (Example 10) in the IAASB's 2021 Extended External Reporting Assurance (EERA) Guidance.

Market momentum

In support of the case for a bespoke integrated reporting assurance standard, integrated reporting assurance is rapidly gathering momentum in practice. It has been or being mandated in whole or in part in Brazil, Spain, France and Italy, and is being practiced on a voluntary basis in India, the Netherlands, Australia and Sri Lanka⁵.

The IAASB's Extended External Reporting Assurance Guidance (including Example 10 on integrated reporting assurance – refer below) was written at a time when integrated reporting assurance was only just emerging through the leadership of pioneers such as ABN Amro. Significant momentum for integrated reporting assurance has since developed, and is likely to continue developing with the IFRS Foundation assuming ownership of the Integrated Reporting Framework in 2022 and ISSA 5000 being issued in 2024.

The nature and distinguishing features of 'integrated reporting assurance'

The nature of integrated reporting assurance and the responsibility of boards of directors for the integrity of integrated reports and underlying reporting processes are discussed in detail in the first two instalments of IFAC's Integrated Reporting Assurance series:

- 'Accelerating Integrated Reporting Assurance in the Public Interest' – link: [IFAC](#)
- 'Executing the Board's Governance Responsibility for Integrated Reporting' – link: [IFAC](#)

The distinguishing features of integrated reporting assurance and integrated reporting-driven aspects of disclosures under S1 and S2 relate to descriptive material about an organisation's business and its reporting. These descriptive materials need to be *evaluated* by the assurance practitioner as distinct from *measurement*-related assurance techniques with respect to metrics and associated disclosures. There is a need for balance in discussion and examples related to measurement and evaluation in ISSA 5000. The pre-exposure draft is heavily weighted towards measurement of climate and other sustainability metrics. Not enough discussion and examples are included on evaluation of:

- The description of *The Business* in integrated reports and reports containing S1 and S2 disclosures as to governance, strategy and risk management⁶.

The description of *The Business* will cover matters such as the organisation's purpose, approach to governance, strategy and strategic management, business model and risk management.

⁵ Mandatory: Brazil – Securities regulator mandate for over 700 companies; Spain – CSRD mandate, Option 3; Italy – CSRD mandate, Option 3; France. Voluntary: India – market practice; Netherlands (CSRD mandate, Option 2); Australia (market practice, supported by CG code); Sri Lanka

⁶ Given the grounding of those standards on the Integrated Reporting Framework and TCFD Recommendations

Documentation of *The Business* and controls over the preparation of that documentation need to be strong enough to meet audit evidence requirements.

- The Basis of Preparation and Presentation required by paragraph 4.41 of the Integrated Reporting Framework which requires a description / summary of the organisation's materiality determination process, the reporting boundary and how it has been determined, and of the significant frameworks and methods used to quantify or evaluate material matters.

Significant frameworks may include the Integrated Reporting Framework. Significant methods may include the use of IFRS Sustainability Disclosure Standards, methods used to self-determine other metrics such as in relation to intangibles, and processes and systems used to ensure report integrity.

Documentation of the Basis of Preparation and Presentation and controls over the preparation of that documentation need to be strong enough to meet assurance evidence requirements.

Delivering an assurance report expressed in terms of S1 and S2 on a report containing both ISSB and GRI disclosures will require that the assurance practitioner is able to distinguish between the ISSB and GRI disclosures.

IFRS Sustainability Disclosure Standards S1 and S2

S1 and S2 will be published in the near future. These standards will contain components derived from the Integrated Reporting Framework and the TCFD Recommendations in relating to describing governance, strategy and risk management.

In relation to integrated reporting, there will be a need for the IAASB to understand decisions resulting from the ISSB's Request for Information on *Integration in Reporting*. By definition, none of the examples considered the nuances of assurance engagements under IFRS Sustainability Disclosure Standards.

Given that publication of ISSA 5000 is being targeted to co-incide with S1 and S2 becoming effective, and existing market practice in integrated reporting assurance likely to grow, there are aspects of integrated reporting assurance that should be given attention in the 2024 edition of ISSA 5000. These aspects revolve around **evaluation** as an assurance technique as distinct from **measurement** in relation to metrics and associated disclosures. The judgements involved in evaluating descriptive materials in integrated reports and reports containing S1 and S2 disclosures can be complex.

In the context of aspects of integrated reporting and the TCFD Recommendations being incorporated in S1 and S2, and integrated reporting assurance continuing to build around the world, assurance practitioners will need standards and guidance to support them in making these judgements in the timeframe of ISSA 5000 being finalised.

We recommend that these matters in relation to integrated reporting assurance and assurance of reports containing S1 and S2 disclosures be addressed in either the exposure draft of or final ISSA 5000.

Pre-conditions for assurance

An important consideration about whether assurance can be provided *at all* is the assurance practitioner evaluating whether the pre-conditions for assurance have been met. Matters in relation to the distinguishing features of integrated reporting assurance need to be considered in evaluating whether the pre-conditions for assurance have been met.

In our view, without the inclusion of appropriate material in ISSA 5000, there will be a significant risk that engagements may be ‘passed’ in terms of meeting the pre-conditions for assurance when they have not been if sufficient attention is not given to analysing whether the documentation of *The Business* and Basis of Preparation are likely to be of assurance-standard. Once engagements are accepted, they must be completed and reported on. As a consequence, there is a risk of an unnecessarily high number of assurance report modifications if practitioners misjudge the pre-conditions being met. This could create reputation risks in relation to the organisation, the assurance practitioner and ISSA 5000.

The risk could have been mitigated by the organisation waiting say a year to obtain integrated reporting assurance and having an assurance readiness review completed and acted upon in that year. Such an assurance readiness review may be completed by the sustainability reporting assurance practitioner. This matter was addressed in the draft Example 10. Assurance practitioners need guidance on this matter now (as do preparers), for their first adoption of ISSA 5000 which will co-incide with the first adoption of S1 and S2 (including their Integrated Reporting Framework / TCFD-derived content).

It is likely that most organisations will begin with limited assurance and later move to reasonable assurance when evidence exists that reasonable assurance will be valued by users, again a consideration of rational purpose.

Drawing on available materials: Example 10 – Integrated Reporting Assurance

There are materials available that the IAASB can draw upon in the short term. Contained in the pre-exposure draft of ISSA 5000 considered by the IAASB Board at its March 2023 meeting were Objectives, Definitions and Requirements with largely generic examples. The Application Material examples included generic or ‘all sustainability’⁷ / metrics and associated controls examples, which presumably were sourced from the EERA Guidance. The extent of inclusion of the EERA Guidance is unclear but appears to be limited. In particular, none of Example 10, ‘Illustrating considerations for practitioners in using the Integrated Reporting Framework as criteria’, appears to have been brought forward. In addition, significant features of the drafting of the content of Example 10 did not reach the final Example 10.

Materials can be drawn from Example 10 and its drafting of the EERA Guidance, which does not appear to feature in the pre-exposure draft. This seems to be a consequence of the key features of Example 10 not being picked up in the main body of the EERA Guidance. Around 60 examples were included in the main body of the EERA Guidance. Of these, around 20 related to measurement / ‘all sustainability’ metrics including internal controls over their compilation⁸. Around 20 examples were included in relation to non-specific descriptive material⁹. Around 10 related to evaluating qualitative information¹⁰. Finally, there were five examples on reporting on the assurance engagement (either generic or ‘all sustainability’).

Example 10 focuses on distinguishing features of integrated reporting and S1 / S2 disclosure assurance

The intention in drafting Example 10 of the EERA Guidance was to explain the distinguishing features of integrated reporting assurance, which mainly relate to evaluation of:

⁷ As distinct from sustainability-related disclosures under S1 and S2.

⁸ Covering measurement (8), ESG assertions (1), aggregation risk (1) misstatements of metrics (4), nature of ‘all sustainability’ subject matter information (1) and evaluating misstatements of metrics (3).

⁹ Included SDGs as suitable criteria (1) use of experts (1), pre-conditions for an ‘all sustainability’ metrics engagement (2), risk management process (1), the materiality determination process in relation to SASB and GRI disclosures (9), a generic suitable criteria example, ‘all sustainability’ metrics (1), use of graphs – generic (1), public sector (1) and self-determined (1).

¹⁰ Generic ‘all sustainability’-centric (2), suitability of criteria for metrics (4), generic content on forecasts and projections (2), whole of report assurance in relation to net zero (1).

Pre-engagement

- Pre-conditions for assurance relating to adequacy of documentation of *The Business* - governance, strategy and strategic management, business model, risk management, and whether it was likely that evidence about the effective operation of these aspects of *The Business* would be available.

Early stages during engagement

- Documentation of *The Business* – governance, strategy and strategic management, business model, risk management in a limited or reasonable assurance engagement.
- Basis of Preparation and Presentation – materiality determination process (including board involvement); reporting boundary; significant frameworks and methods used to determine material matters.
- Whether the engagement has a *rational purpose*.

A consideration of rational propose means having regard to the likely use of the output of an assurance engagement (the assurance report) – whether users will value limited assurance in the first instance, and later whether they will get incremental value from reasonable assurance.

Set out in the table below is an analysis of whether and to what extent key elements of Example 10 as drafted were included in Example 10 as published, and in the pre-exposure draft of ISSA 5000.

IAASB Extended External Reporting Assurance Guidance - Integrated Reporting Assurance Example – Example 10	Example 10 as Drafted	Example 10 as Published	Drafted Example 10 in pre-Exposure Draft of ISSA 5000
Explanatory note – the distinguishing features	✓	✗	✗
Fact pattern	✓	✗	✗
Example 10A			
Appropriate practitioner competencies and capabilities	✓	✗	✗
Professional skepticism and judgement	✓	✗	✗
Example 10B			
Determining pre-conditions and agreeing scope			
• Readiness	✓	✗	✗
• Rational purpose	✓	✗	✗
• Suitable criteria	✓	✗	✗
• Underlying subject matter	✓	✗	✗
- Basis of Preparation and Presentation	✗	✗	✗
- <i>The Business</i> and documentation of it	✓	✗	✗
- Performance and Prospects	✓	Aspects	✗
• Acceptance decision	✓	✗	✗
• Boundary	✓	✗	✗
Example 10C			
Obtaining evidence			
• General	✓	✗	✗
• Qualitative and forward-looking information	✓	ESG Metrics	✗
Risk of Material Misstatement	✓	✗	✗
Sufficient available evidence	✓	✗	✗

Basis of Preparation and Presentation

The Basis of Preparation and Presentation was not covered in Example 10 or its drafting. Drafting on evaluating a Basis of Preparation and Presentation in an integrated report under paragraphs 4.41 and 4.42 of the Integrated Reporting Framework would likely have focused on the need to understand, evaluate and conclude upon the basis for and validity of statements made about (paragraph 4.42):

- Summary of materiality determination process, including the role of those charged with governance
- The description of the reporting boundary and how it has been determined
- The summary of the frameworks chosen (for instance, the Integrated Reporting Framework)
- The methods used to quantify or evaluate material matters - for instance, the use of:
 - IFRS Sustainability Disclosure or GRI Standards, or
 - the self-determination of metrics such as in relation to customer satisfaction and other intangibles

Assurance-based advisory services

In our view, insufficient attention to the distinguishing features of integrated reporting assurance is contained in the pre-exposure draft of ISSA 5000. We believe that there is a strong case for a bespoke assurance-related advisory standard on the pre-conditions for assurance to be issued, focusing on evaluation descriptions of the Basis of Preparation and Presentation of integrated reports and foundational descriptions of The Business in integrated reports. We recommend that Example 10 as drafted be reviewed so that guidance on this area can either be incorporated within an assurance-based advisory services standard issued with ISSA 5000.

XBRL

In relation to a new standard on XBRL, we believe that it will be important for the standard to cover both financial and sustainability reporting assurance.

6. Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topic(s).

We re-iterate our view that the sustainability reporting assurance project, including ISSA 5000 and aligned bespoke standards should be prioritised. A high priority for the companion bespoke standards should be a standard on whole-of-report sustainability reporting assurance, which deals specifically with evaluating descriptive material in integrated reports (the description of *The Business* and of the *Basis of Preparation and Presentation*) and in relation to comparable descriptive material in S1 and S2 assurance engagements given the inclusion of materials from the TCFD Recommendations and Integrated Reporting Framework.

Other aspects of such a bespoke standard will relate to specific considerations in relation to the way in which assurance evidence is gathered, the use of experts, the substance of communications with those charged with governance and management - particularly when report modifications in relation to the description of *The Business* or *Basis of Preparation and Presentation* are possible, reaching conclusions and reporting on the engagement.

We recommend that the overall sustainability reporting assurance project be pursued in close collaboration with the ISSB (in relation to the TCFD and Integrated Reporting Framework-derived components of S1 and S2) and the Connectivity and Integrated Reporting team within the IFRS Foundation in relation to integrated reports prepared in accordance with the Integrated Reporting Framework.

7. *Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.*

We believe that the way in which the IAASB's work on ISSA 5000 is being connected to IESBA's work on its own sustainability reporting standard-setting project in relation to ethics, independence and the use of experts, is appropriate.

IESBA will need to work closely with IOSCO and national governments and regulators in ensuring the appropriate regulation and enforcement of ISSA 5000 will be achieved when ISSA 5000 is used by assurance practitioners other than accounting professionals who are already subject to regulation and enforcement around ethics, independence and the use of experts.

8. *Are there any other matters that we should consider in finalizing our Strategy and Work Plan?*

We recommend that the IAASB should closely monitor developments in relation to and as a result of the ISSB's forthcoming *Integration in Reporting* consultation, which is expected to be issued in the second quarter of 2023. This project is likely to have significant implications for ISSA 5000 between the time that the Exposure Draft is issued and the standard is finalised in 2024.

We believe that the IAASB should consider discussing with the IFRS Foundation a shared or common conceptual framework which contains key concepts and definitions (for instance, the concept of 'sustainability' and its relationship to the six capitals of the Integrated Reporting Framework and enterprise value, the definitions of 'sustainability-related financial' and 'those charged with governance'); and where the fundamental concepts of the Integrated Reporting Framework provide a potential foundation for that common framework in the same way that integrated thinking is the foundation of integrated reporting.

A Basis of Preparation and Presentation focusing on the Integrated Reporting Framework as the primary reporting framework for an integrated report together with the use of IFRS Sustainability Disclosure Standards as primary standards can ensure that integrated reports will be suitable criteria for assurance under ISSA 5000.

In relation to 'those charged with governance', we believe that the definition of 'those charged with governance' should be revisited so that management and the board of directors are separated and not viewed as one:

- given the modern concept of governance, which is enshrined in the Integrated Reporting Framework, where the board of directors (and equivalents) is an instrument of value creation in its own right, complementing the separate but connected role of management in developing and implementing strategy; and
- the separate roles, responsibilities and potential liabilities of the board of directors and management enshrined in company law, including in relation to corporate reporting, in many parts of the world.

Strong integrated reports should include descriptions of both the governance and strategic management processes and associated KPIs as to the performance and prospects of those processes, demonstrating the connectivity between the separate but complementary contributions of the board and management to value creation. This is important to investors and other stakeholders in understanding the respective roles of the board of directors and management in relation to the business, its performance and prospects.

This separation permeates the entire Integrated Reporting Framework. It is the board of directors who accept, declare responsibility for the integrity of integrated and other corporate reports to

investors, and are the bodies that litigants look to in relation to perceived deficiencies in those reports. Management reports to and is overseen by the board of directors.

Such an aligned conceptual framework can be the basis of future sustainability reporting standard-setting by **both** organisations, ensuring continued connectivity and alignment in standards and reporting under them.

We also believe that developing an assurance-based advisory services standard as a priority would be highly valued by the market as preparers, practitioners and users get ready to evaluate the pre-conditions for assurance and descriptions of *The Business* and Basis of Preparation and Presentation in the early stages of sustainability assurance engagements under S1, S2 and the Integrated Reporting Framework.

In conclusion

In conclusion, the Deakin University Integrated Reporting Centre commends the IAASB on its initiative in creating ISSA 5000 and an associated suite of bespoke sustainability reporting assurance standards.

Recent research by Ocean Tomo¹¹ suggests that around 90% of the market capitalisation of the S&P 500 was not on balance sheets under IFRS Accounting Standards. Comparable research by EverEdge¹² found that the comparable percentage in relation to enterprise value was 85%. The IFRS Foundation's resources are closing the 'reporting gap' in relation to the 90/85%. ISSA 5000 will be a major contribution to closing the associated assurance gap.

We have highlighted one aspect of integrated reporting assurance - in relation to the pre-conditions for assurance and evaluating descriptions of *The Business* - that we believe should be included in Version 1 of ISSA 5000 if it is to be truly framework-neutral. Accordingly, in this submission we have made a suggestion as to how Version 1 of ISSA 5000 can further close the assurance gap by prioritising aspects of integrated reporting assurance. We trust that our submission is of assistance.

¹¹ According to its website, Ocean Tomo provides Expert Opinion, Management Consulting, and Advisory services focused on matters involving intellectual property (IP) and other intangible assets: [Ocean Tomo | The Intellectual Capital Merchant Banc™ Firm](#). It publishes the 'Intangible Asset Market Value (IAMV) Study which examines the components of market value, specifically the role of intangible assets across a range of global indices. This study contains the 90 metric.

¹² According to its website, EverEdge is a specialist intangible asset management consultancy. EverEdge publishes the 'Intangible Benchmark Index'. [Intangible Assets 101 – EverEdge Global](#)