



# AASB Sustainability Assurance

## September 25, 2023

Presented by Amalia Spensieri  
and Johanna Field

# 01 Project Streams

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# AASB Project Streams – Sustainability Assurance

## ISSA 5000

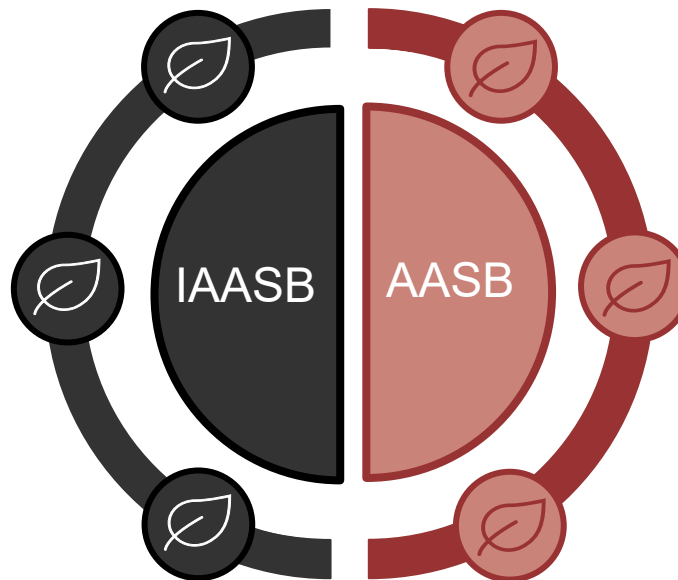
Developed a new overarching standard for assurance on sustainability reporting, ISSA 5000

## PROJECT PROPOSAL

Approved in September 2022

## ED-ISSA 5000

The Exposure Draft (ED) is approved and is out for consultation until December 1, 2023



## PROJECT PROPOSAL

The AASB approved the project proposal to adopt ISSA 5000 concurrently, in January 2023

## COMMITTEE

AASB established the Sustainability Assurance Committee

## ED-CSSA 5000

Approval of ED at the AASB's August meeting



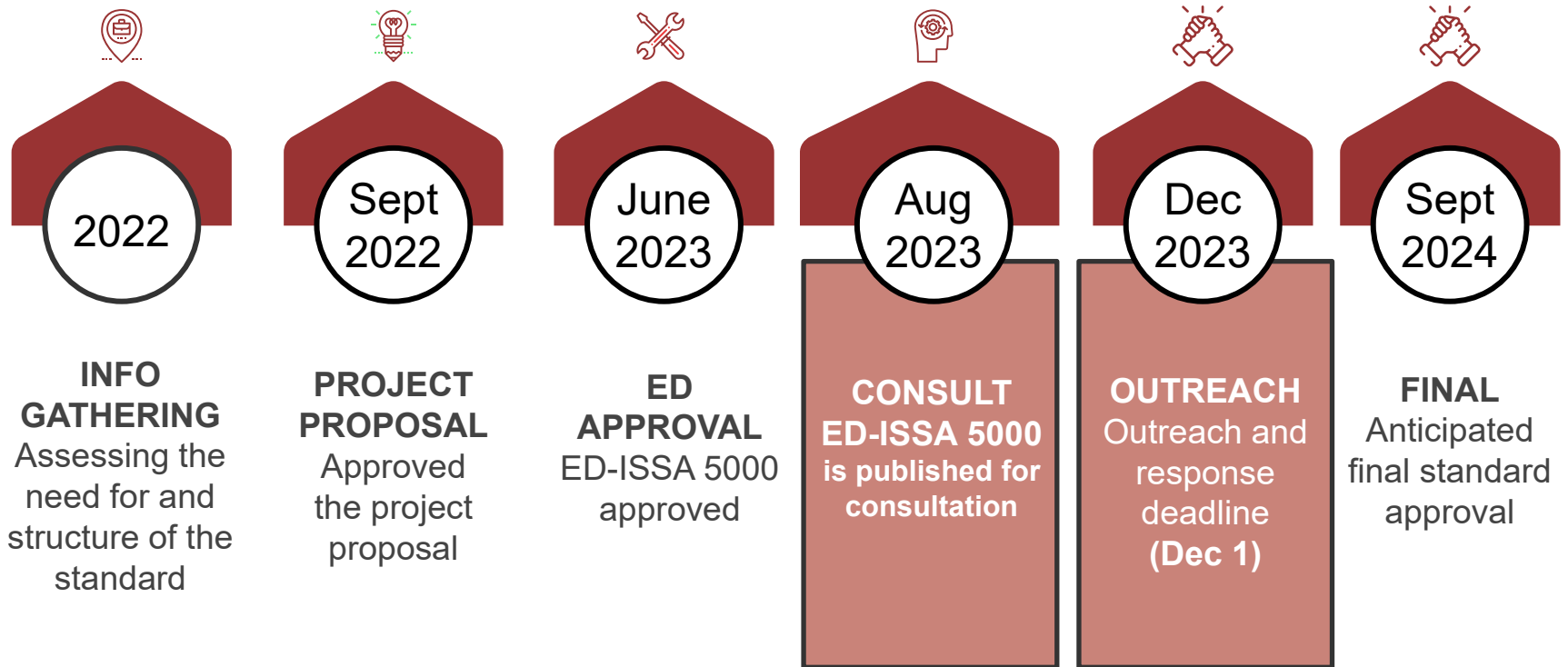
CSAE 3000 and CSAE 3410 remain fit for purpose in the interim; however, the new standard with specificity for *sustainability assurance will better meet current and future needs*

# 02 Timelines

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# ISSA 5000 – Project Timeline



- AASB Project Approval, *January 2023*
- AASB ED-CSSA 5000 Approval, *August 2023*

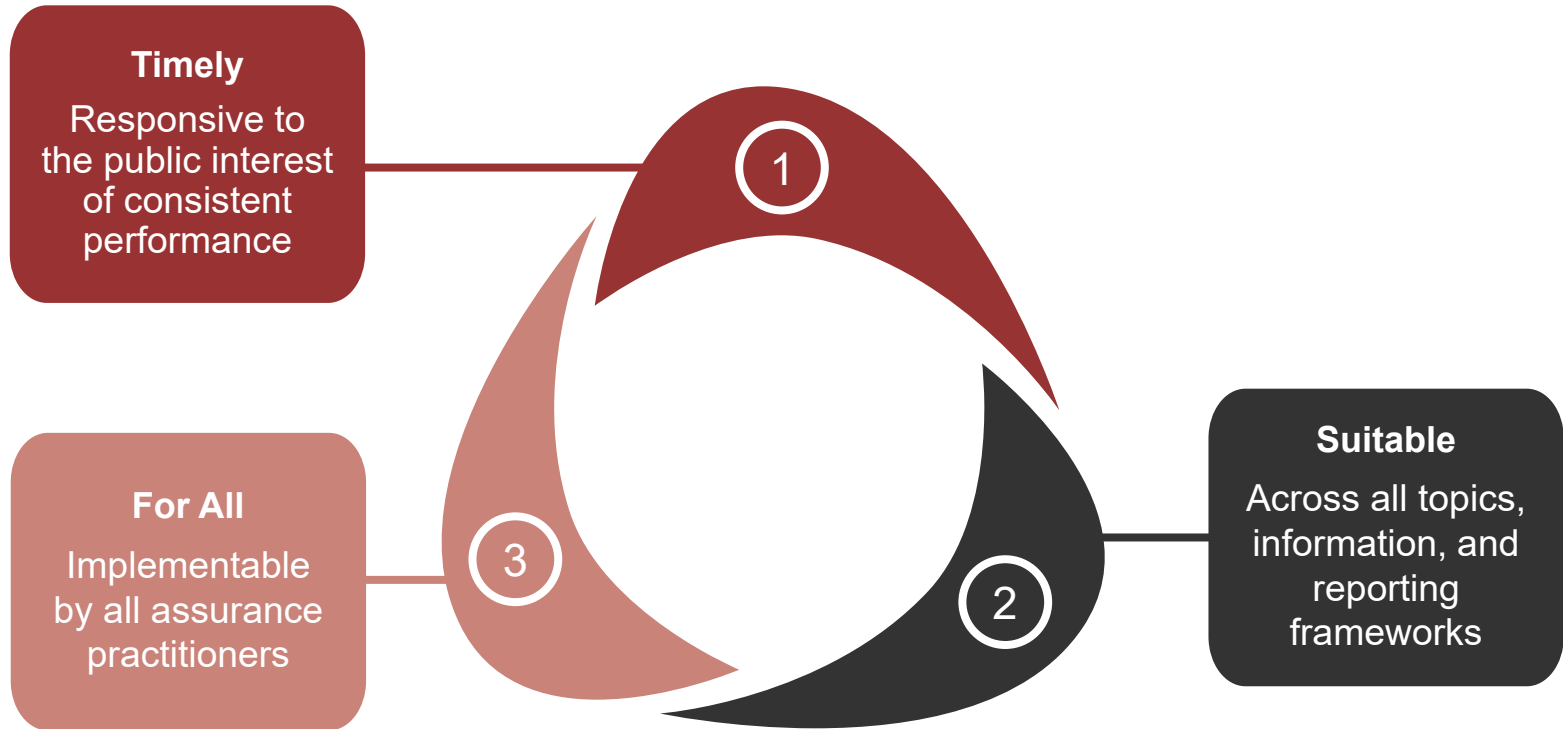
# 03 Project Background

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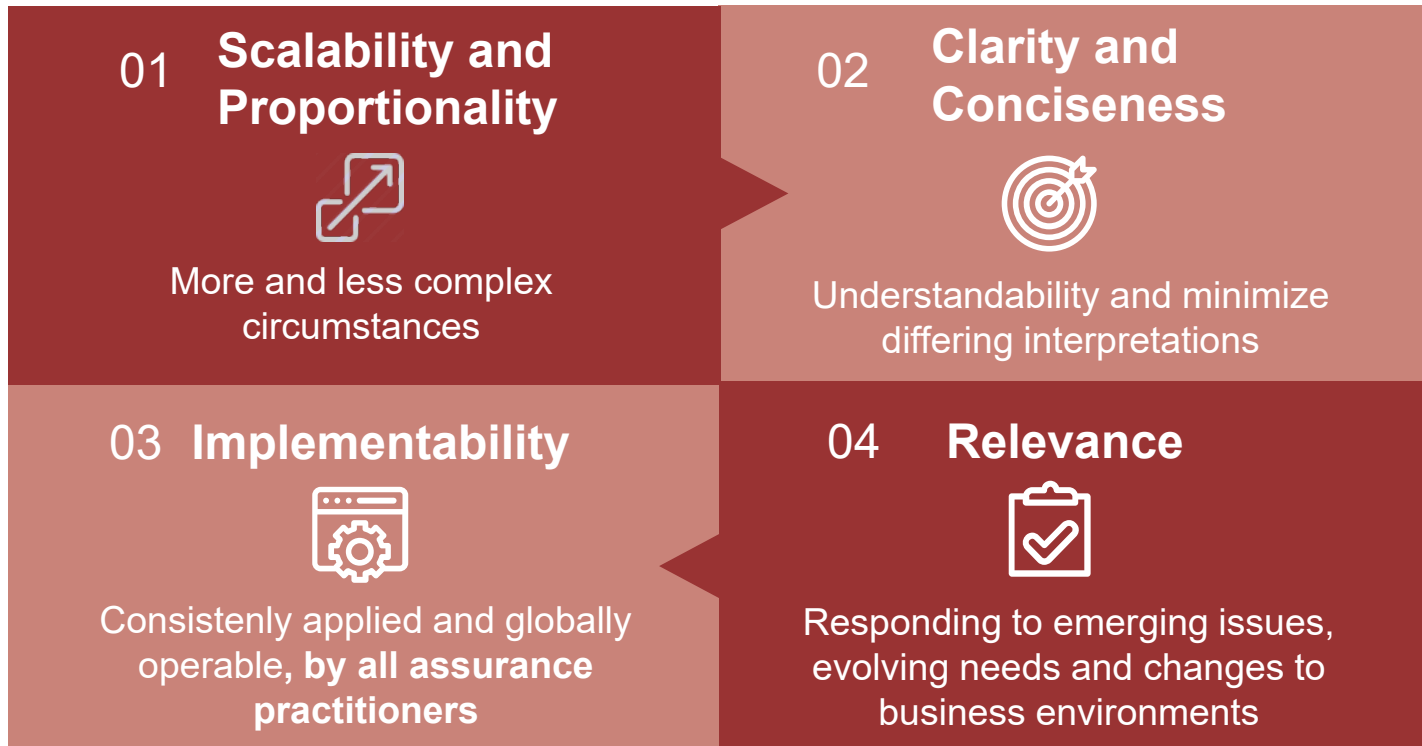
# Project Objectives

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# Responsiveness to the Public Interest

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# 04 Approach to ISSA 5000

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# Sustainability Assurance: Leveraging Existing Material

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## Start with relevant ISAE 3000 (Revised) and ISAE 3410 material

Identify most relevant requirements and application material, adapt for sustainability

## Review EER Guidance

Adapt as requirements or application material



## Draw on recent thinking

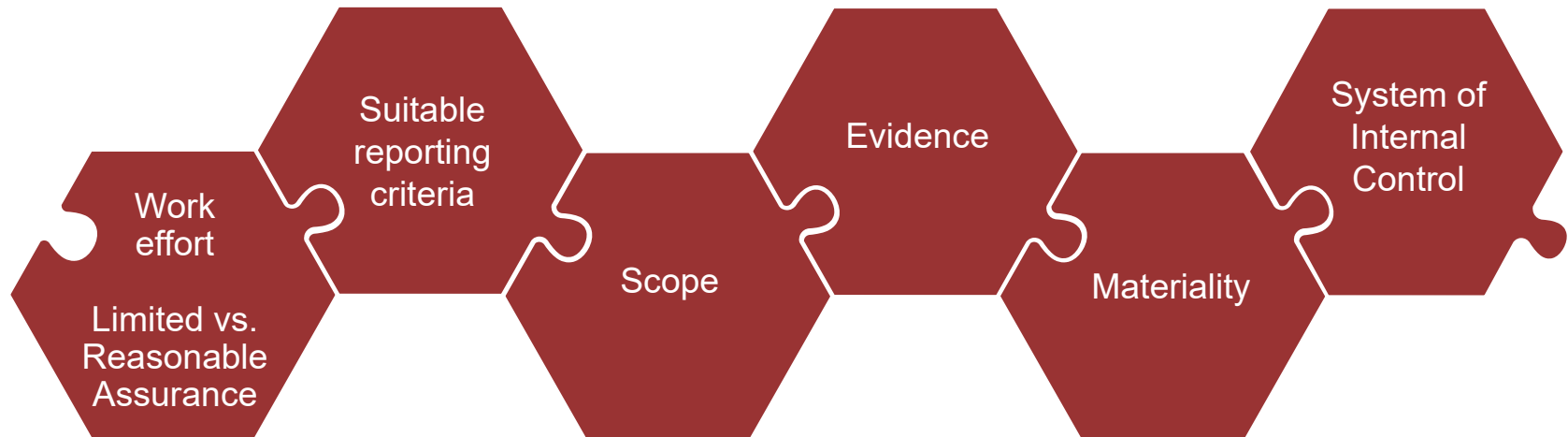
Identify most appropriate concepts in ISAs, adapt for sustainability

## Address priority areas

Develop further material if steps 1-3 do not adequately cover priority areas

# Priority Areas

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# 05 Key Concepts

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# Key concepts – *Scope and Applicability of ED-5000*

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## Scope



Scope addresses:

- Aspects of sustainability matters disclosed
- Reporting boundaries
- Sustainability Information subject to assurance (part or all)
- Which standard applies (5000, 3000, 3410, etc.)

- ISSA 5000 is a stand-alone standard that deals with assurance on sustainability information
- ISAE 3410 applies when the practitioner is providing a separate conclusion on a GHG statement:
  - questions may arise about the future of ISAE 3410 when proposed ISSA 5000 is finalized
  - deliberations will be made by the IAASB as part of the future strategy and work plan

# Key terms – *Sustainability Information and Matters*

## Sustainability



Important term, but difficult to define. Considering the different:

- uses
- sustainability reporting frameworks
- sources from national standard-setters

**Sustainability Information** - Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria (*equivalent of “**subject matter information**” in other assurance standards*).

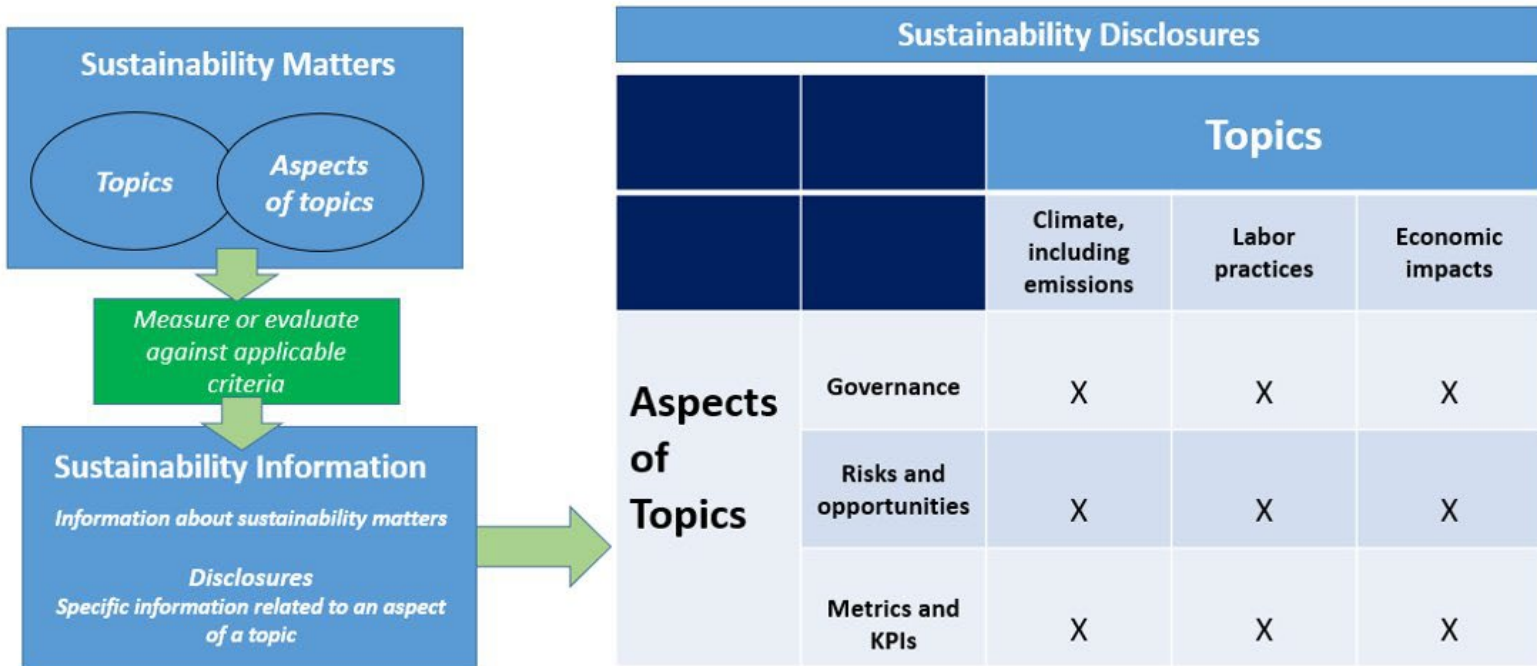
**Sustainability Matters** - Environmental, social, economic and cultural matters, including:

- i. The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
- ii. The entity's policies, performance, plans, goals and governance relating to such matters.

(*equivalent of “**underlying subject matter**” in other assurance standards*).

# Key terms – *Topics, Aspects of Topics and Disclosures*

## Sustainability Matters, Sustainability Information and Disclosures



# Key concepts – *Sustainability Information Subject to Assurance*

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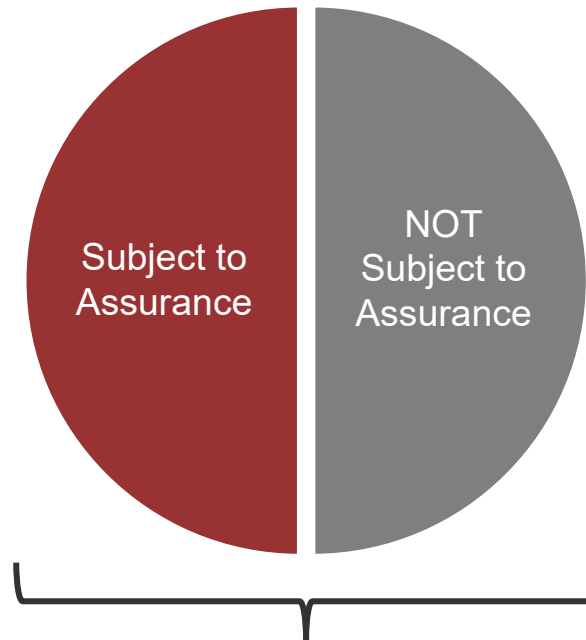
## Sustainability



Sustainability information subject to assurance can be:

- **All** the sustainability information
- **Part of** the sustainability information

Document containing sustainability Information



Sustainability Information Reported



# Key concepts – *Suitable Criteria*

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## Suitable Criteria



- Based on ISAE 3000
- Preconditions requirements.
- Evaluate whether the criteria are:
  - Suitable for the engagement circumstances
  - Available to intended users

- Sustainability reporting frameworks and criteria from other sources are still evolving
- ED-5000 includes requirements for the practitioner to evaluate whether there are criteria for all sustainability information subject to assurance and to identify the criteria's sources

# Key concepts – *Risk procedures for a Limited vs. Reasonable Assurance Engagement*

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## Limited Assurance



- Consistent with ISAE 3000, no risk assessment for limited assurance
- Risk procedures need to be sufficiently robust to:
  - identify material misstatements; and
  - drive appropriate work effort

**Limited:** design and perform risk procedures to identify disclosures where material misstatements are likely to arise to provide a basis for designing further procedures

**Reasonable:** design and perform risk procedures to identify and assess risks of material misstatements, whether due to fraud or error, at the assertion level for the disclosures, and to design and perform further procedures

# Key concepts – *Entity's Process to Identify Reporting Topics*

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## Materiality Process



### Entity's Process to Identify Reporting Topics:

- may be a critical part of reporting under certain frameworks or entity-developed criteria; or
- may not be relevant for engagements where the reporting topics are specified by the criteria.

### Preliminary knowledge needed:

- limited to what is sufficient for acceptance or continuance of the engagement
- added application material that is anchored to the requirement in preconditions stage to
  - evaluate the scope of the sustainability information expected to be reported,
  - as well as the scope of the assurance engagement
- The entity's process may be referred to as:
  - process to identify reporting topics
  - materiality assessment
  - materiality process

***Separate from the practitioner's assessment of materiality.***

# Key concepts – *Double Materiality*

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## Double Materiality



Information needs of intended users may relate to:

- the impact of sustainability matters on the entity, or
- the impacts of the entity on sustainability matters.
- When the needs of the intended users relate to both, this can be referred to as **double materiality**

- In evaluating whether the criteria are suitable, evaluate whether the criteria exhibit the characteristics of:
  - relevance
  - completeness,
  - reliability,
  - neutrality
  - understandability

# Key concepts – *Materiality for the Engagement*

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## Materiality



- Used for **planning and performing** and **evaluating material misstatements**
- Consider qualitative and determine quantitative, including performance materiality if needed
- Could have more than one materiality for the same engagement

- Materiality is affected by the practitioner's perception of the **information needs of intended users** of the sustainability information.
- The practitioner's **materiality for the engagement** differs from management's "**materiality process**"
- Materiality may be relevant to the practitioner's approach, including **the way in which the sustainability information is grouped** for planning and performing the engagement
- Included a conditional requirement to **determine performance materiality for quantitative disclosures.**

# Key concepts – *Understanding the Components of Internal Control*

## Components of Internal Control



- Reasonable Assurance: more detailed requirements that specify what needs to be understood or evaluated.
- **Application material** includes further specific aspects of the component for obtaining an understanding (adapted from ISA 315 (Revised)).

Limited assurance (LA) (understand)	LA	RA
Reasonable assurance (RA) (understand and evaluate)		
The control environment	✓	✓
The information system	✓	✓
The entity's risk assessment process	<b>Results only</b>	✓
Control activities	<b>Maybe</b>	✓
The entity's process to monitor the system of internal control		✓

# Key concepts – *Using the Work of Others*

## Work of Others



Engagement  
Team  
Member

Not an  
Engagement  
Team  
Member

Individuals Involved in the Engagement	Practitioner <u>can</u> be sufficiently and appropriately involved in the work	Practitioner <u>cannot</u> be sufficiently and appropriately involved in the work
Firm Personnel	Engagement Team Member – Direction, Supervision & Review (DS&R) applies	N/A
Practitioner's Internal Expert	Engagement Team Member – DS&R applies	N/A
Practitioner's External Expert	Work Performed by Others Practitioner's External Expert	N/A
Another Practitioner (incl. Network Firms and Non-Network Firms)	Engagement Team Member – DS&R applies	Work Performed by Others (Another Practitioner)
Internal Audit	Work Performed by Others (Internal Audit)	Work Performed by Others (Internal Audit)

# Key concepts – *Estimates and Forward-looking Info*

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## Estimates and forward-looking info



- Estimation uncertainty
- Management bias
- Sufficient appropriate evidence on estimates and forward-looking info

Based on  
ISA 540

- Includes forecast, projections or future plans of the entity
- Prepared using scenarios based on best-estimate assumptions or hypothetical assumptions, which are affected by management's judgment
- Future information may be evaluated with less precision than historical underlying subject matter(s)
- Regardless, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information



# Key concepts – *Other Information*

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## Other information



- Information in documents containing sustainability information subject to assurance
- Read and consider whether there are material inconsistencies

Based on  
ISA 720

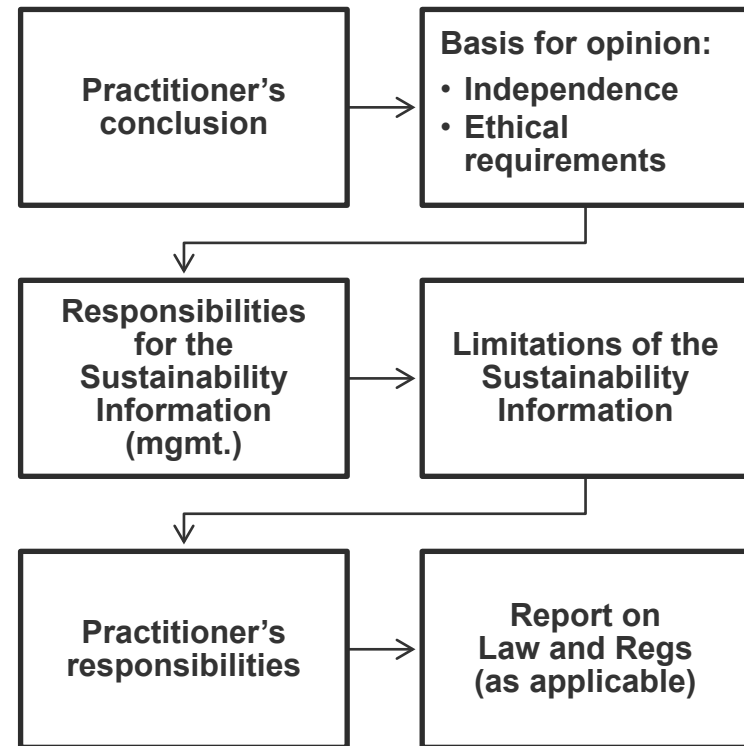
- The practitioner is only required to obtain and consider other information available up to the date of the assurance report.
- Conversely, ISA 720 for listed entities, requires that the practitioner consider other information not available until after the date of the assurance report.
- In sustainability assurance engagements there are limitations as to what is practical to expect after the date of the assurance report.

# Key concepts - *Reporting Requirements and the Assurance Report*

## Reporting



- Clarify the level of assurance obtained
- Clarify the scope of the assurance engagement
- Consistency to enable comparability between reports
- Developed considering 3000, 3410 and using ISA 700 as a guide for the elements of the assurance report



# Key concepts – *Effective Date and Implementation Period*

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## Effective Date



- Engagement either covers a **period** or a **point in time**
- Attestation engagement, so the period **should be that of the information reported**
- The standard covers the **performance** of the engagement, so it should be **'beginning on or after'**

ED-5000 indicates that the **effective date** would be for **assurance engagements on sustainability information reported**:

- a) For periods beginning on or after [Month] 15, [Year]; or
- b) As at a specific date on or after [Month] 15, [Year].

Implementation period of approximately **18 months after approval**

# Key concepts – *Matters for future standard setting*

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Future ISSAs

IAASB

- Future suite of ISSAs
- Developed overtime
- Address emerging issues
- Prioritize issues in a manner that focuses on public interest

# 06 Canadian Amendments

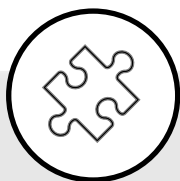
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## Key concepts – *Canadian amendments and potential additional amendments*

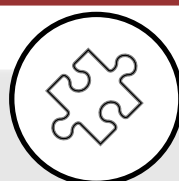
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### Ethical Requirements



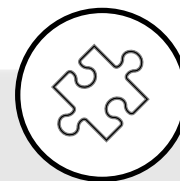
- Replace references to the IESBA Code
- Use Canadian equivalents
- Consistent with existing amendments

### Direct Engagements



- Clarify that CSAE 3001 is used for direct engagements on sustainability information.
- Explain that CSSA 5000 may be used as guidance for direct engagements on sustainability information

### Indigenous Consultation

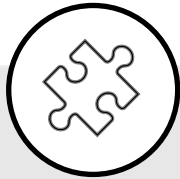


- Evaluate whether the entity has engaged in meaningful consultation with Indigenous Peoples when evaluating suitability of criteria

# Key concepts – *ED CSSA 5000 Questions*

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## CND ED Questions



Respond to ED  
CSSA 5000  
consultation and  
share your  
views

1. Are there any types of assurance engagements on information other than historical financial information, where it may be ambiguous whether they are scoped in to proposed CSSA 5000 or CSAE 3000? If your answer is “yes,” please provide examples.
2. What implementation challenges, if any, might the proposed standard create for practitioners in Canada?
3. The AASB anticipates that the IAASB will approve the final standard in September 2024. The proposed effective date is approximately 18 months after approval. Do you have any concerns?

# 07 Providing your views

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# Partnering in outreach

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## Purpose

## Action

### **AWARE**

Generate awareness within your network about ED-CSSA 5000 and outreach activities

Circulate our “Save the Date” document within your network



### **INFORM**

Learn about ED-CSSA 5000 through AASB education, outreach, and reading ED.

Read the proposed standard and consider its implications



### **DISCUSS**

Discuss and provide feedback at AASB outreach sessions, surveys or writing a response letter

Share your views with the AASB for inclusion in the Canadian response to the IAASB



# Share your views through...

## Roundtables



- Provide your views through the roundtable discussions.
- Virtual sessions on:
  - October 16, 2023 (EN)
  - October 18, 2023 (FR)

## Survey



- Provide your views through responding to the AASB Survey on ED 5000.
- Survey available on FRAS CONNECT by October 5, 2023.

## Response



- Write a response letter to the AASB
- AASB response deadline is:
  - November 6, 2023, for General questions
  - December 31, 2023, for CND amendments questions.

Visit the [AASB's Sustainability Assurance Project Page](#) for more details

# Contact Us

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Would you like to connect with the AASB to share your views on ED-CSSA 5000 directly?



Do you have an opportunity for the AASB to participate in an event you are planning within your organization or community to discuss the proposed standard?



Can you connect the AASB with interested parties, including those outside of the accountancy profession in your region?



Auditing and Assurance  
Standards Board

## Contact

**Amalia Spensieri, CPA, CA**

Principal

Auditing and Assurance Standards Board

☎ +1 (416) 204-2965

✉ [aspensieri@aasbcanada.ca](mailto:aspensieri@aasbcanada.ca)

## Contact

**Johanna Field, CPA, CA**

Associate Director

Auditing and Assurance Standards Board

☎ +1 (416) 204-2974

✉ [jfield@aasbcanada.ca](mailto:jfield@aasbcanada.ca)