



IAASB CAG Meeting Observation Memo

Virtual, June 15, 2023

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Disclaimer: The observer applies his own judgment in identifying and communicating matters of public interest and due process at the meeting, and is responsible to the PIOB Technical Committee in doing so and in reporting on the observation. The views and opinions expressed in this Observation Memo are personal and belong solely to the observer and do not necessarily reflect or preclude the PIOB Board's position.

Summary Of Key Issues From The Meeting:

The IAASB CAG meeting was held in a virtual format, on June 15, 2023. The meeting was chaired by the IAASB CAG Chair.

The agenda (public session) was related solely to Assurance on Sustainability Reporting in advance of the discussion at the IAASB meeting in the coming week where the standard is to be discussed and finalized.

The meeting ran very smoothly and allowed for the active participation of all attendees.

Objective Of the Project: As discussed in the March 2023 CAG Observation Memo, the IAASB is developing a standard for assurance on sustainability reporting with the aim to support the consistent performance of quality sustainability assurance engagements. The standard is expected to be suitable for all sustainability topics and disclosures, neutral from a reporting framework and assurance providers perspective.

By way of background at the March meeting, the CAG was provided with an update and a report back including (included for continuity and progression of discussion)::

- the objectives of the overarching standard,
- the PIF qualitative characteristics which are being considered for its development (i.e. scalability, timeliness, comprehensiveness, enforceability, implement ability, relevance),
- how priority areas have been addressed (e.g. limited vs. reasonable assurance, relevance and reliability of information to be used as evidence, internal control system, qualitative and quantitative factors to consider for materiality, definitions, quality management, reporting).



At this June meeting, the IAASB staff provide the CAG with developments over the last three months including:

- The revised definition of sustainability information/matters;
- The expanded definition of materiality to include “financial materiality” and “impact materiality”;
- Consideration of group audits and group assurance engagements;
- Further redrafting in limited and reasonable assurance requirements;
- Further drafting on relationship to other topics; and
- Revision of illustrative reports and addition of example for modified limited assurance

The IAASB also commented on the timeline and the planned extensive outreach.

The meeting was then opened up to comments from the CAG.

IAASB CAG Key Discussion Points:

In the March Observation memo, it was noted (included for continuity and progression of discussion):

- There was general support from the CAG as to the direction of the IAASB Task Force (TF) on this project.
- Some of the topics that were explored included limited assurance vs. reasonable assurance vs. agreed upon procedures.
- There was discussion as to how the project will address “greenwashing”.
- There was a discussion about the use of forward- looking information in sustainability disclosures and how that may affect the assurance providers’ work.
- There was discussion about the importance of internal controls over sustainability reporting and how that may impact the work of the assurance provider.
- The CAG had a good discussion about how to apply materiality in these types of engagements and that practical guidance will be important.
- The TF is proposing that assurance providers have a system of quality management that is akin to ISQM 1 or its equivalent. There was discussion as to how that will be applied.
- The TF is proposing that auditors be not required to report KAMs in sustainability reporting, though they are open to other points of view.

During the June meeting, the following topics were highlighted/discussed by the CAG members:

- They notes this standard is a start for the IAASB and not the end. The IAASB may need to be more open to revisions than in other standards. Significant reiteration of this point.
- Emphasis was made regarding the need to balance breadth and depth of standard. Many are requesting more depth.
- Consistency of the sustainability information matters/definition with the ISSB and ESRS is a key item of interest to participangts.
- It was noted there may be different interpretations of materiality.
- There was significant reference to other standards (group audits, sampling, forward-looking information, ISQM #1, comparative data, fraud (greenwashing), data relevance and quality, use of external experts, etc.) and the consistency between this standard and the other standards referenced.
- There is a need to ask stakeholders to comment regarding whether these standards are fit for purpose for those other than professional accountants.



- It was noted that timeliness with EU standards is important but standards needs to be fit for purpose in many other regions. It was noted there needs to be the ability to use in all regions including emerging markets.
- Concerns over greenwashing....or what some referred to as fraud....were expressed.
- Application of the standard in the public sector was noted as an item for the IAASB to considered.
- Scalability to SME's was addressed.
- It was noted that Field testing may be necessary.
- Length of sentences and translate-ability of the standard was brought up for consideration.

Public Interest Issues

Asked to comment on the public interest issues I made the following observations:

- Most of the public interest issues were addressed. (See list of public interest issues)
- I observed there was significant language and reference to existing IAASB standards which could make application by those other professional accountants a challenge and that this his should be a consideration in outreach. I noted agreement with the need to ask in in the exposure draft regarding stakeholders view on the applicability to non-professional accountants.
- I observe that outreach will be key and that outreach to groups such as investors need to be done using language which focused on:
 - Linkage of the sustainability definitions to ESRS and ISSBs....so investors understand the sameness or differences.
 - Understanding investors won't likely access this information from financial statements or annual reports but data providers and the need to consider how the the level of assurance provided on them will be communicated in that context.
 - What the difference in reports (limited and reasonable assurance) means, etc.
 - Laymans language will be needed in outreach with other stakeholders such as investors.