

Preparing for high-quality sustainability assurance engagements

In-person event

3 October

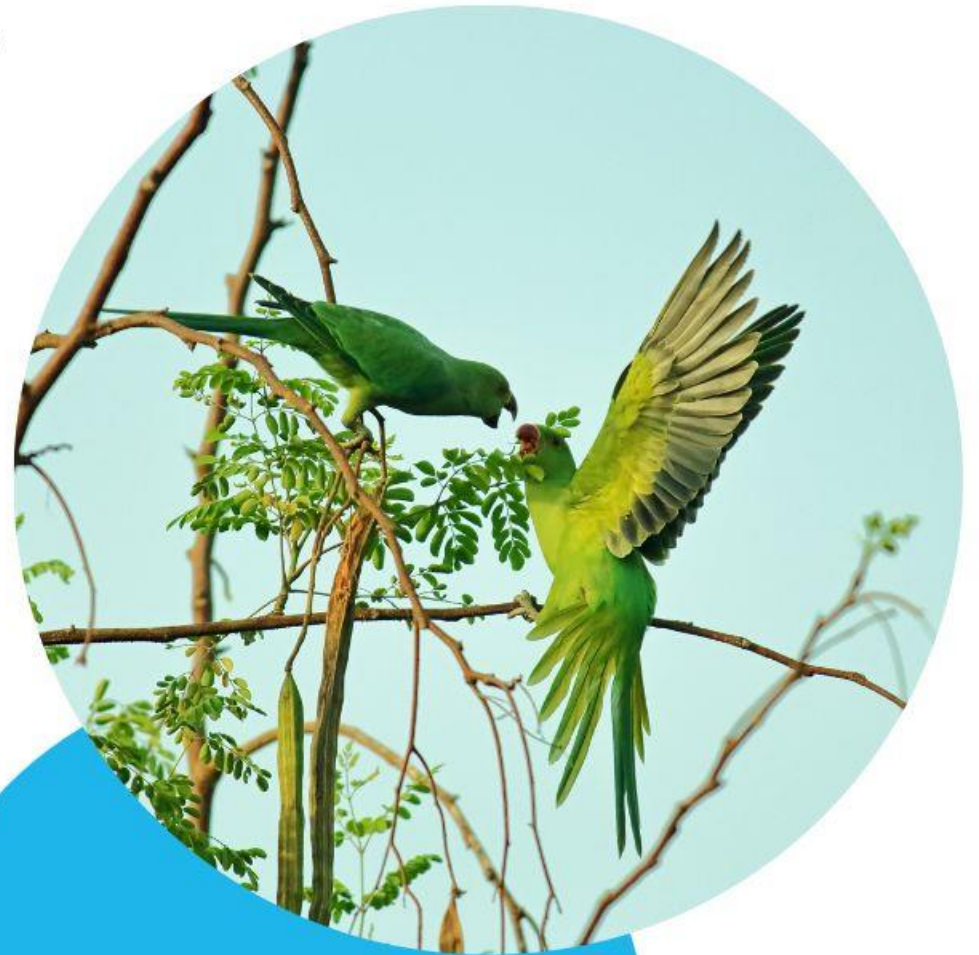
14:00-17:00 CEST

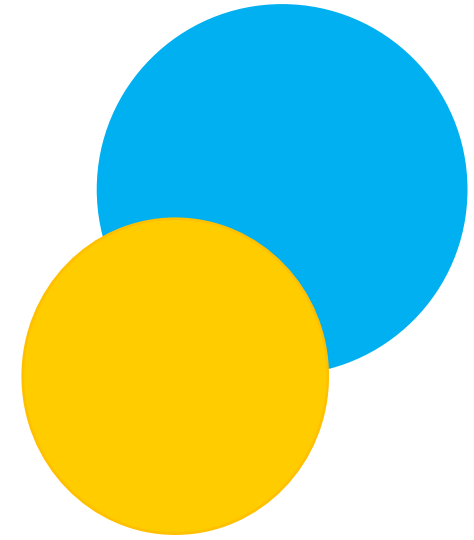


**ACCOUNTANCY
EUROPE.**



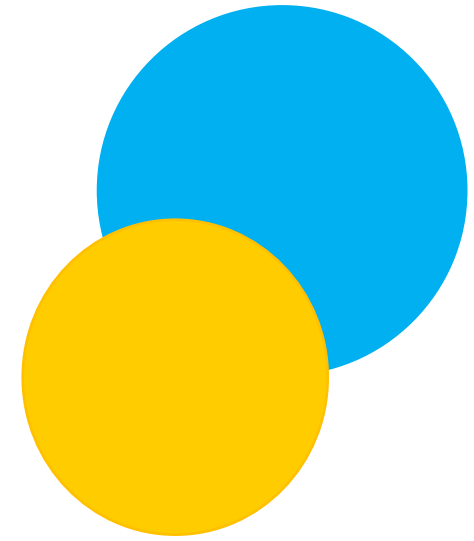
**International
Federation
of Accountants**





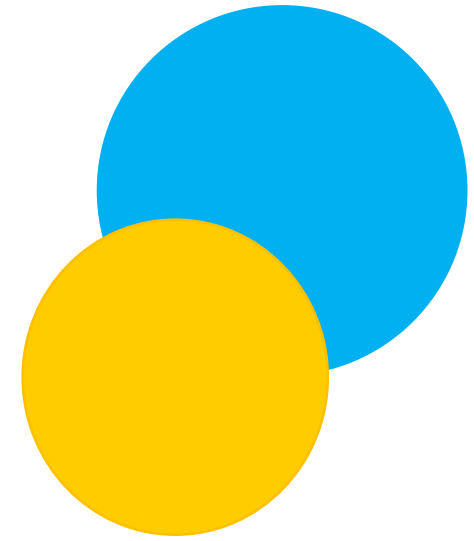
Welcome and introduction

Olivier Boutellis-Taft, CEO, Accountancy Europe



Keynote: CSRD implications for sustainability assurance

Rogier Wezenbeek, DG FISMA, European Commission

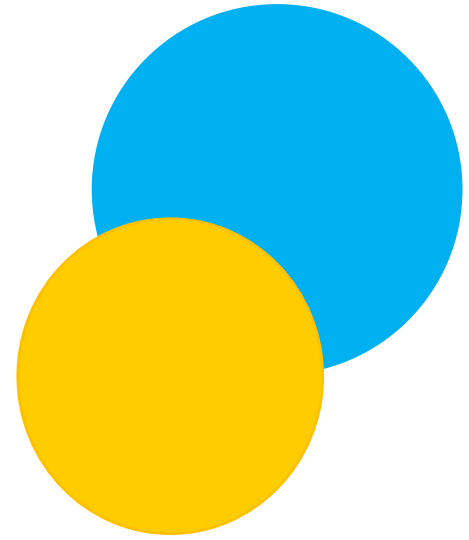


Keynote: Proposed ISSA 5000

Tom Seidenstein, Chair, IAASB

State of play in sustainability assurance – global benchmarking study

David Madon, Director, Sustainability, Policy & Regulatory Affairs, IFAC



THE STATE OF PLAY

Preparing for High-Quality Assurance of Sustainability Information

ISSA 5000

October 2, 2023

DAVID MADON

Director – Sustainability,
Policy & Regulatory Affairs

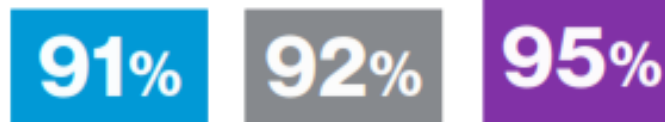


MAPPING GLOBAL REPORTING AND ASSURANCE PRACTICES

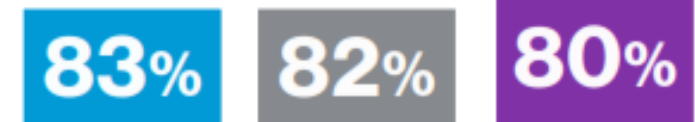
G20 +

- 1400 largest companies
- 22 jurisdictions
- 3rd publication / 3-year trend
- ESG Reporting & assurance

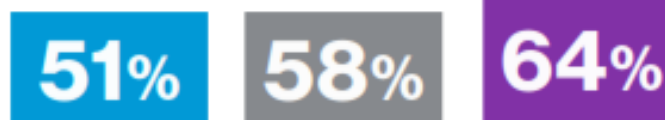
KEY FINDINGS: 2019 | 2020 | 2021



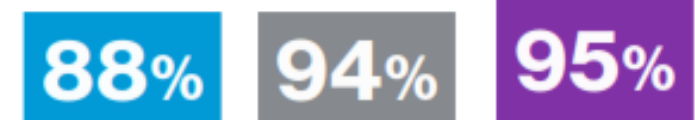
reported some ESG information



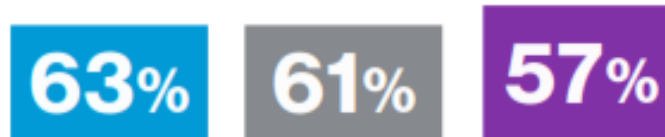
of assurance was limited



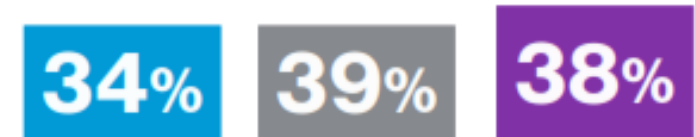
obtained some level of assurance



of firms applied ISAE 3000 (Revised)*








assurance engagements conducted by firms



of other service providers applied ISAE 3000 (Revised)

MAPPING REPORTING & ASSURANCE PRACTICE: EUROPE

- Reporting rate  2%
- Assurance rate  13%
- Accountancy assurance  5%
- Less limited assurance  7%
- Use of ISAE 3000 (Revised)  4%

575 companies from 13 jurisdictions

2021 Key Findings

2019

2020

2021

92%

94%

97%

reported *some* ESG information

85%

83%

78%

of assurance was limited

61%

69%

74%

obtained *some* level of assurance

94%

94%

95%

of firms applied ISAE 3000 (Revised)*

83%

80%

78%

assurance engagements conducted by firms

45%

42%

40%

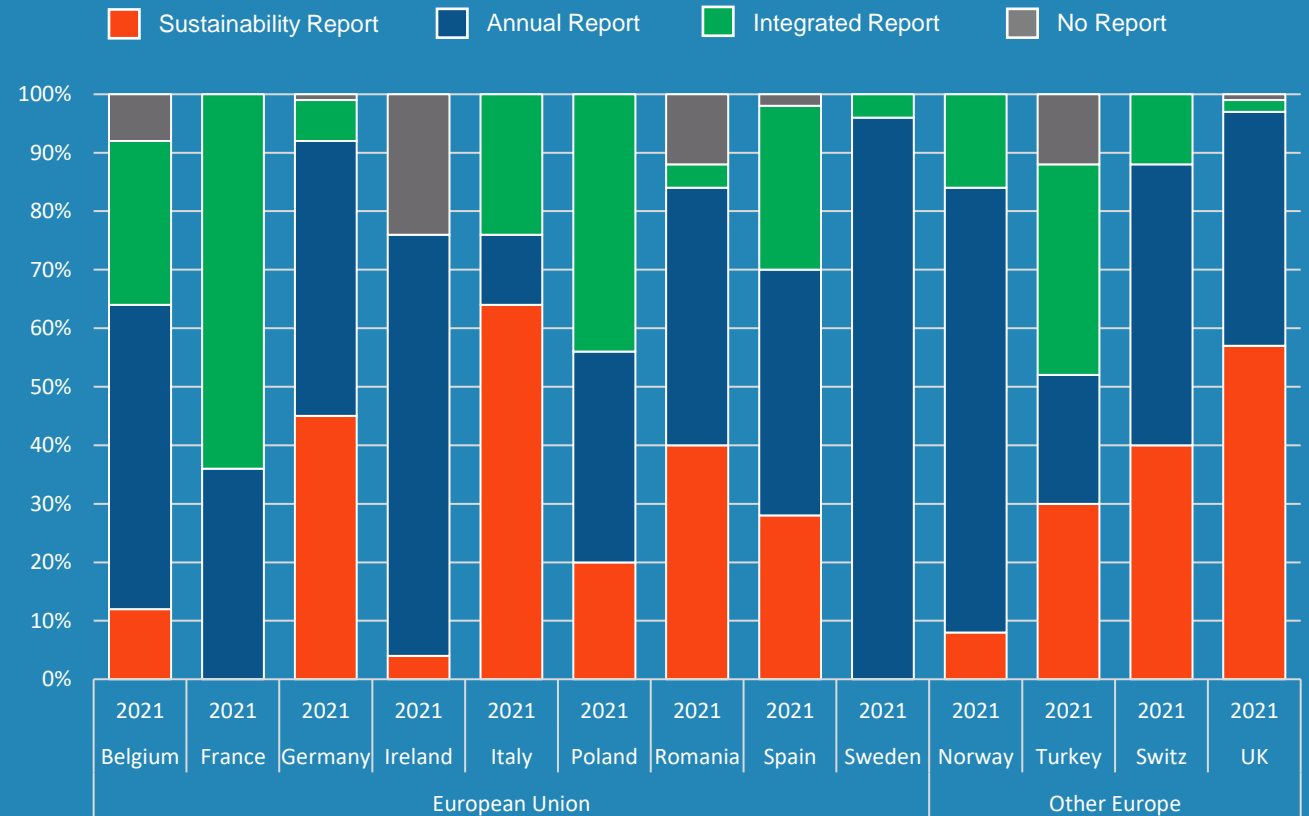
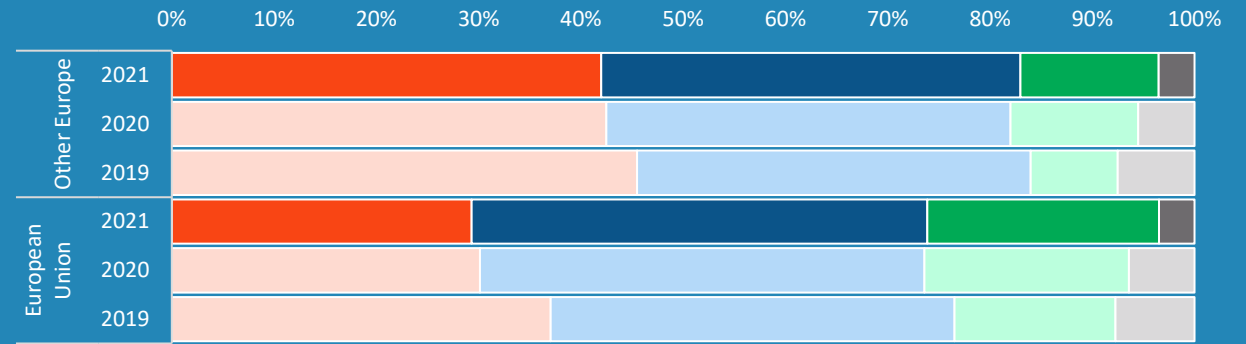
of other service providers applied ISAE 3000 (Revised)

* Including jurisdictional professional standards (Swedish FAR standard RevR 12), firms applied professional audit standards 98% in 2019, 98% in 2020, and 99% in 2021.

REPORTING BY JURISDICTION: EUROPE

Europe (97%) and Asia-Pacific (98%) lead in sustainability disclosure.

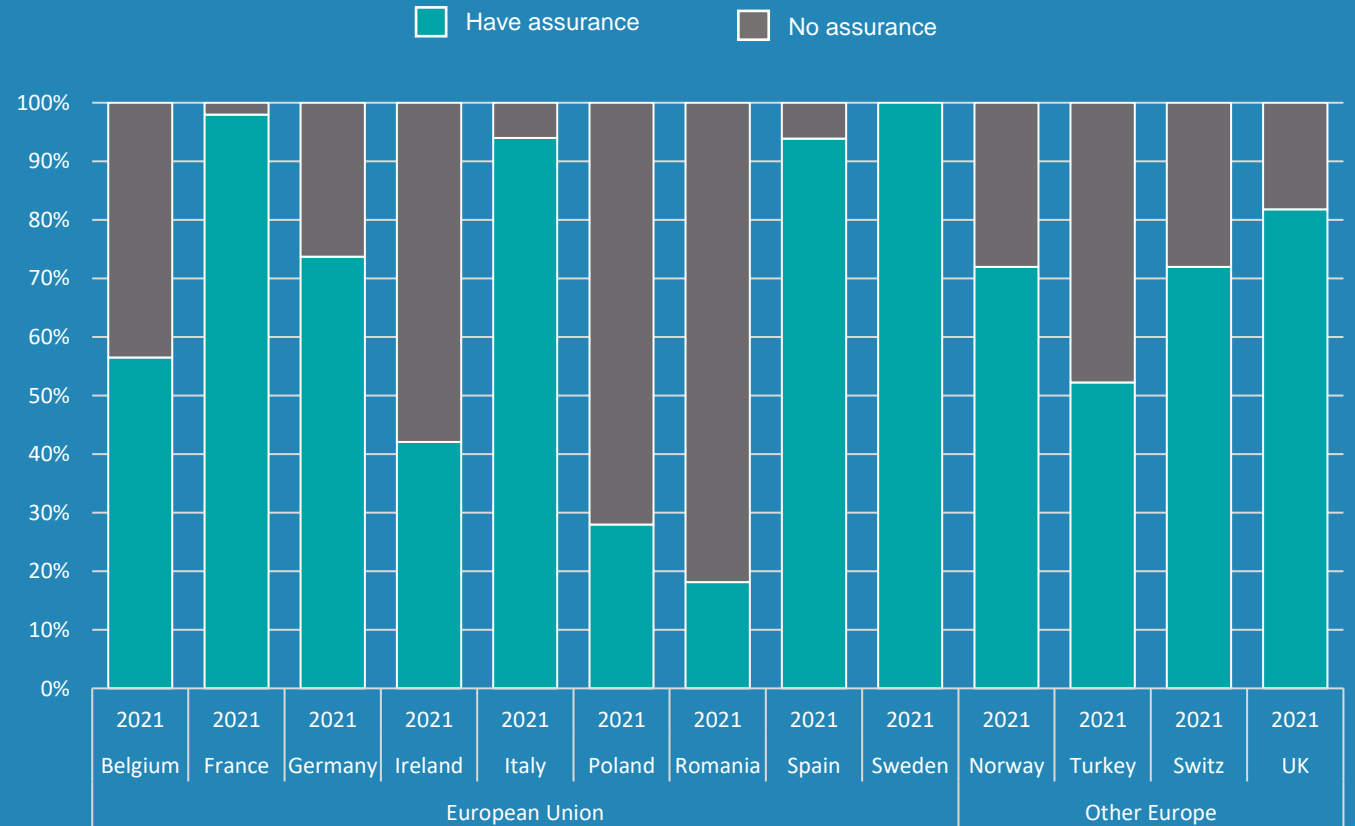
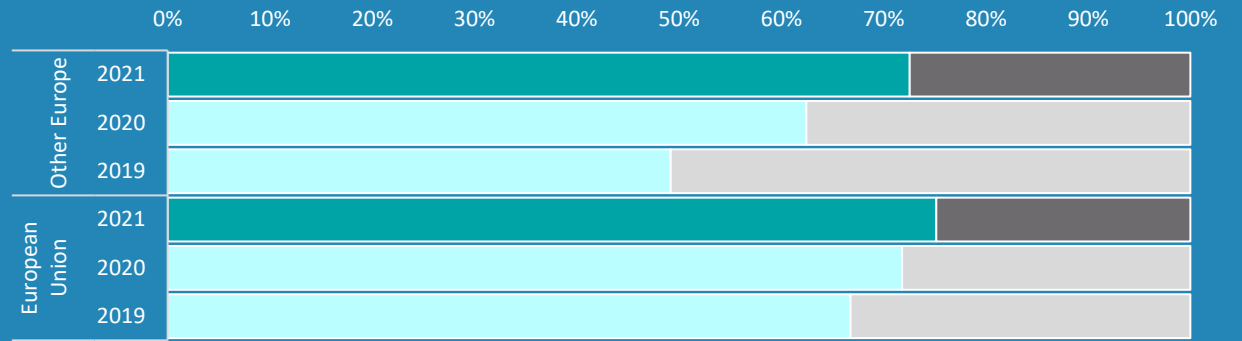
- ❑ In Europe, most ESG information is included with financial information.
- ❑ Standalone sustainability reports were a majority in just two jurisdictions – Italy (64%) and the UK (57%).
- ❑ Annual reports were a majority in four jurisdictions – Belgium (52%), Ireland (72%), Sweden (96%), Norway (76%).
- ❑ Most French companies used integrated reports (64%).



ASSURANCE BY JURISDICTION: EUROPE

More companies obtained assurance in Europe (74%) than any other region in our SoP research.

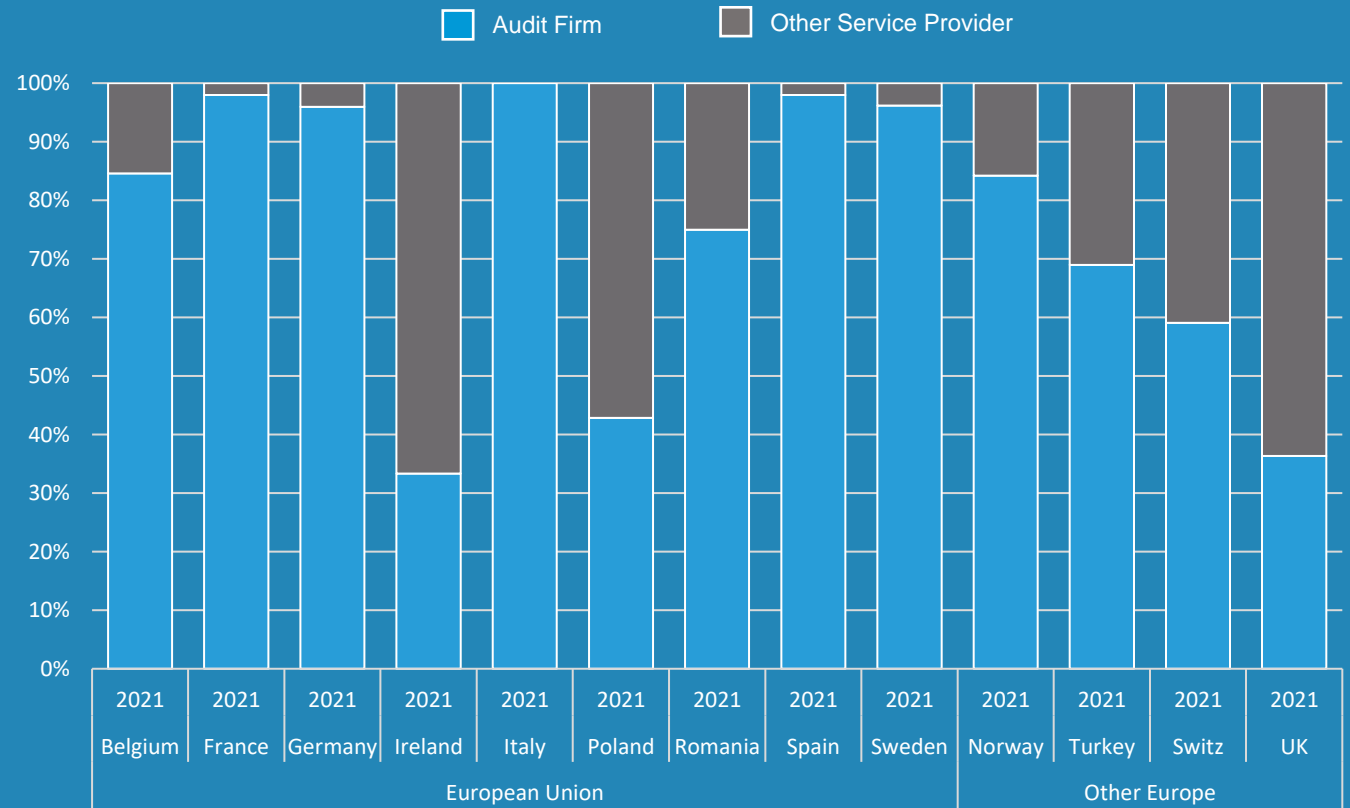
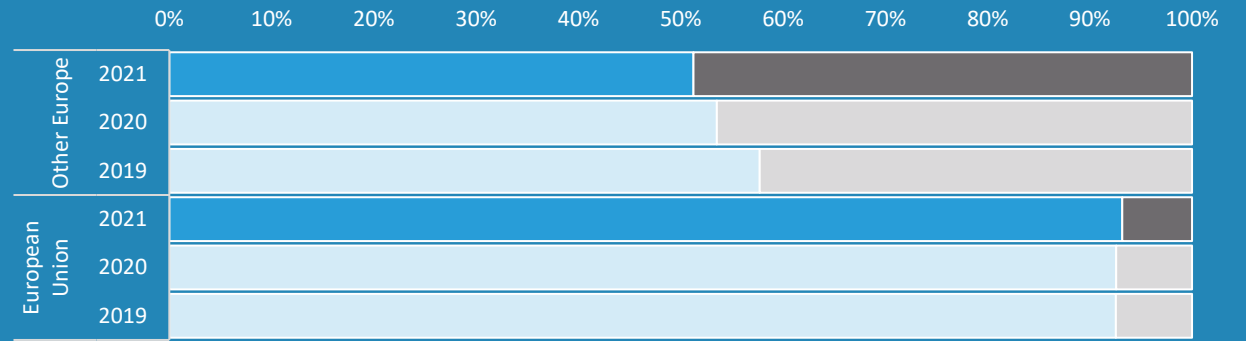
- France, Germany, Italy, Spain, Sweden, UK lead.
- Assurance in Belgium (57%), Ireland (42%), Poland (28%), and Romania(18%) lags the rate of reporting in these countries and is below the G20+ average (64%).



ASSURANCE PROVIDER BY JURISDICTION: EUROPE

Under the NFRD, the accountancy profession has provided more sustainability assurance in Europe than other jurisdictions.

- ❑ France, Germany, Italy, Spain, Sweden, Norway lead in accountancy assurance.
- ❑ 1st time assurance in the UK—typically on GHG—has resulted in most assurance being provide by OSPs.



Part of the State of Play Series

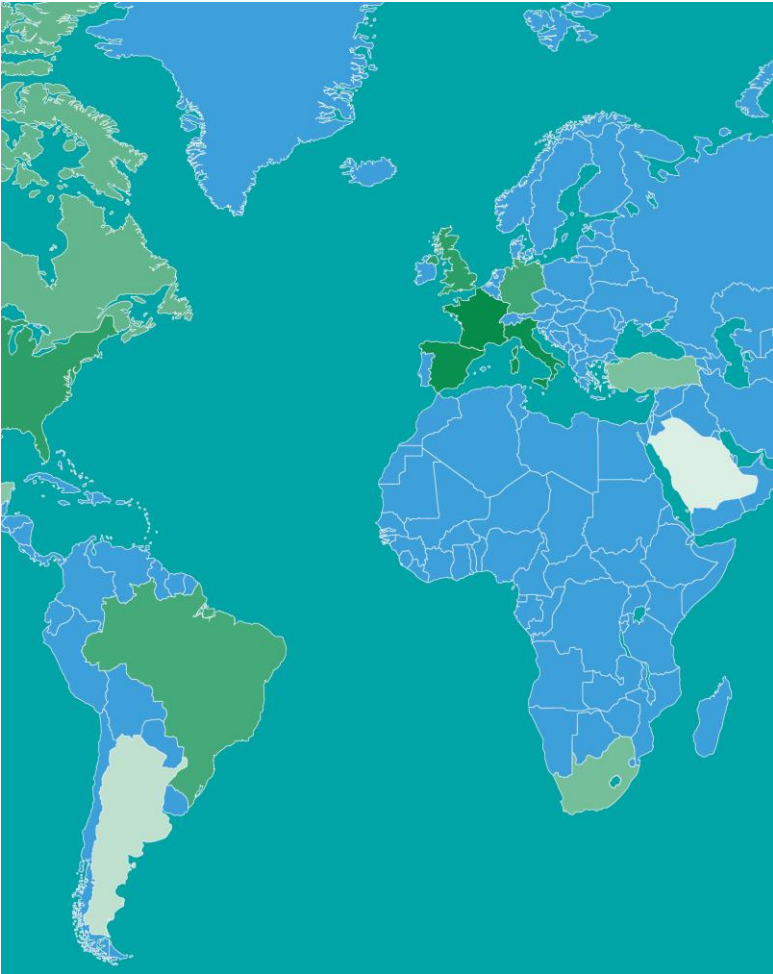
A Deep Dive into Sustainability Assurance Engagements

The Who, What, & How of Current Practice

May 2023



MAPPING ASSURANCE PRACTICE: APPLICATION OF ISAE 3000 (REVISED)



Percent of assurance reports that use **ISAE 3000(R)**.

AUDIT FIRMS

95%

OTHER SERVICE PROVIDERS

38%

Percent of assurance performed **“in accordance with”** ISAE 3000(R).

98%

53%

Percent of ISAE 3000(R) engagements that **apply IESBA Code** or other **international ethics code/std.**

93%

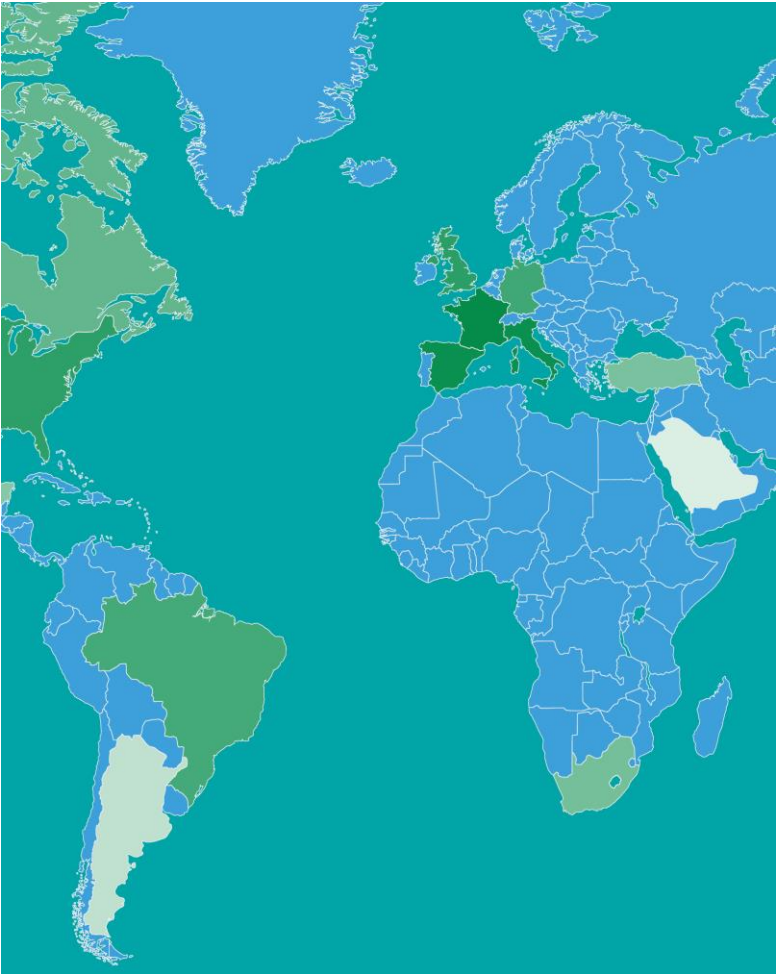
28%

Percent of ISAE 3000(R) engagements that apply ISQC 1 or other international **quality control standard.**

91%

38%

KEY FINDINGS: STANDARDS & PRACTITIONERS



STANDARDS USED

638 of 913 assurance engagements relied on ISAE 3000 (Revised)

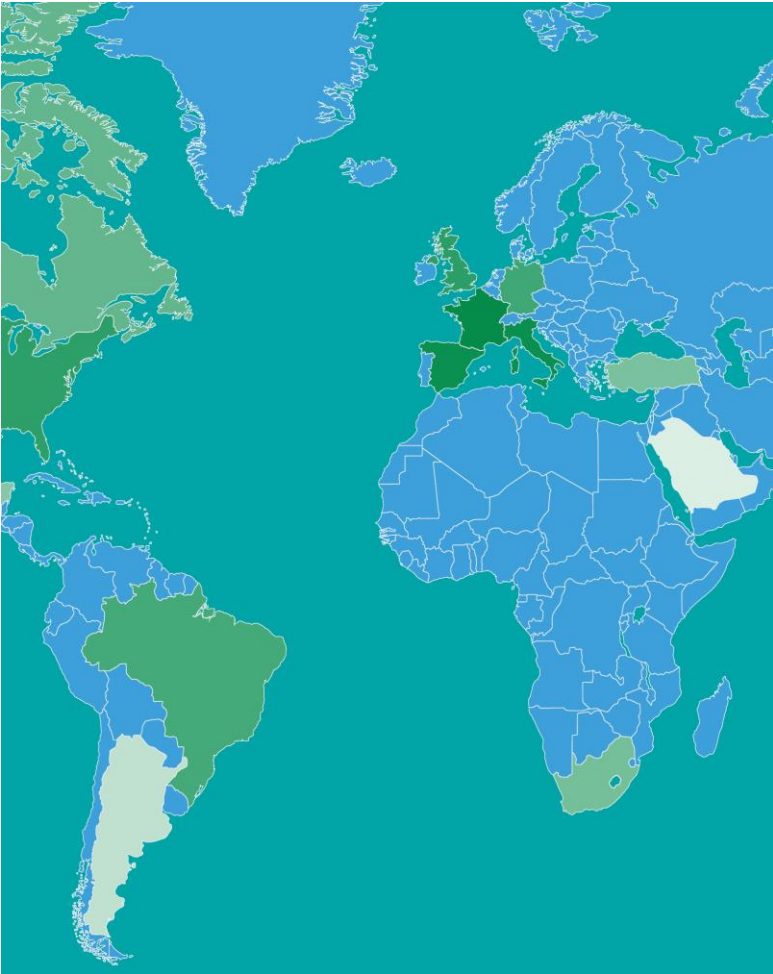
77% were done by Firms

- 95% of Firm engagements relied on ISAE 3000 (Revised) and were conducted by 13 accountancy firms.

23% were done by OSPs.

- 83% of 149 OSP engagements using ISAE 3000 (Revised) were conducted by 8 organizations.
- 4 of these OSPs operated internationally and used ISAE 3000 (Revised) for the majority of their engagements.

KEY FINDINGS: SCOPE OF ENGAGEMENTS



53%

of assurance engagements reviewed from 2021 covered GHGs as well as environmental, social, and governance topics.

FIRMS: Most engagements covered a range of topics across the ESG spectrum.

- 80% of Firm engagements included 3 or 4 topics in scope.
- 20% of Firm engagements included 1 or 2 topics in scope.

OTHER SERVICE PROVIDERS: Most engagements (58%) covered one topic (GHG-related metrics).

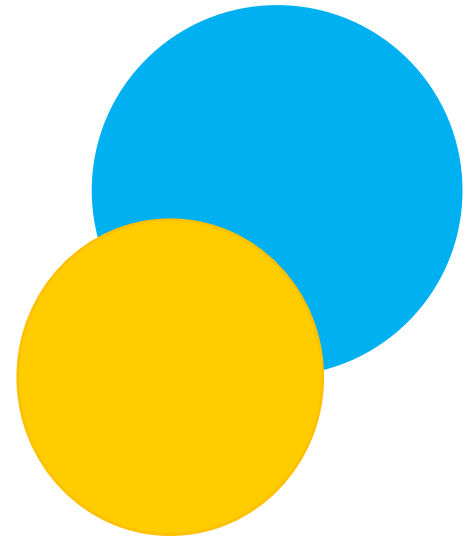
- Of 11 OSPs who conducted 70% of engagements:
 - Four conducted primarily (60% - 85%) three or four topic engagements.
 - Four OSPs conducted primarily (60% - 90%) one or two topic engagements.
 - Three OSPs conducted a “50/50” split of Broad vs Narrow engagements.

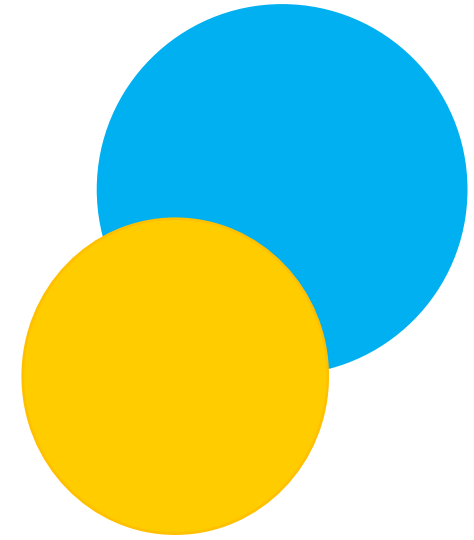
A Deep Dive into Sustainability Assurance Engagements

- ❑ **STANDARDS:** Accountancy firm engagements use IAASB assurance standards, while OSPS currently use different standards for different types of engagements.
- ❑ **LEVEL:** Current practice indicates that accountancy firm engagements result in limited assurance reports. Other service providers issue limited, modified, as well as reasonable reports.
- ❑ **SCOPE:** Accountancy firm engagements are generally broader in scope. Other service providers are observed to specialize in narrower scope engagements, especially related to greenhouse gas-related metrics.
- ❑ **APPLICATION:** This research identifies differences in the application of the IAASB's standard ISAE 3000 (Revised) between accountancy firm vs. other service provider engagements.



Coffee break





Deep dive: ISSA 5000 key matters

Isabelle Tracq-Sengeissen, Member, IAASB and Task Force sustainability assurance standards, IAASB

IAASB Proposed ISSA 5000- Deep Dive

IFAC- Accountancy Europe
3 October 2023

Isabelle Tracq-Sengeissen

IAASB and Sustainability Assurance Task Force

Areas to be Addressed

Key Principles, Concepts and Definitions

Practitioner Materiality

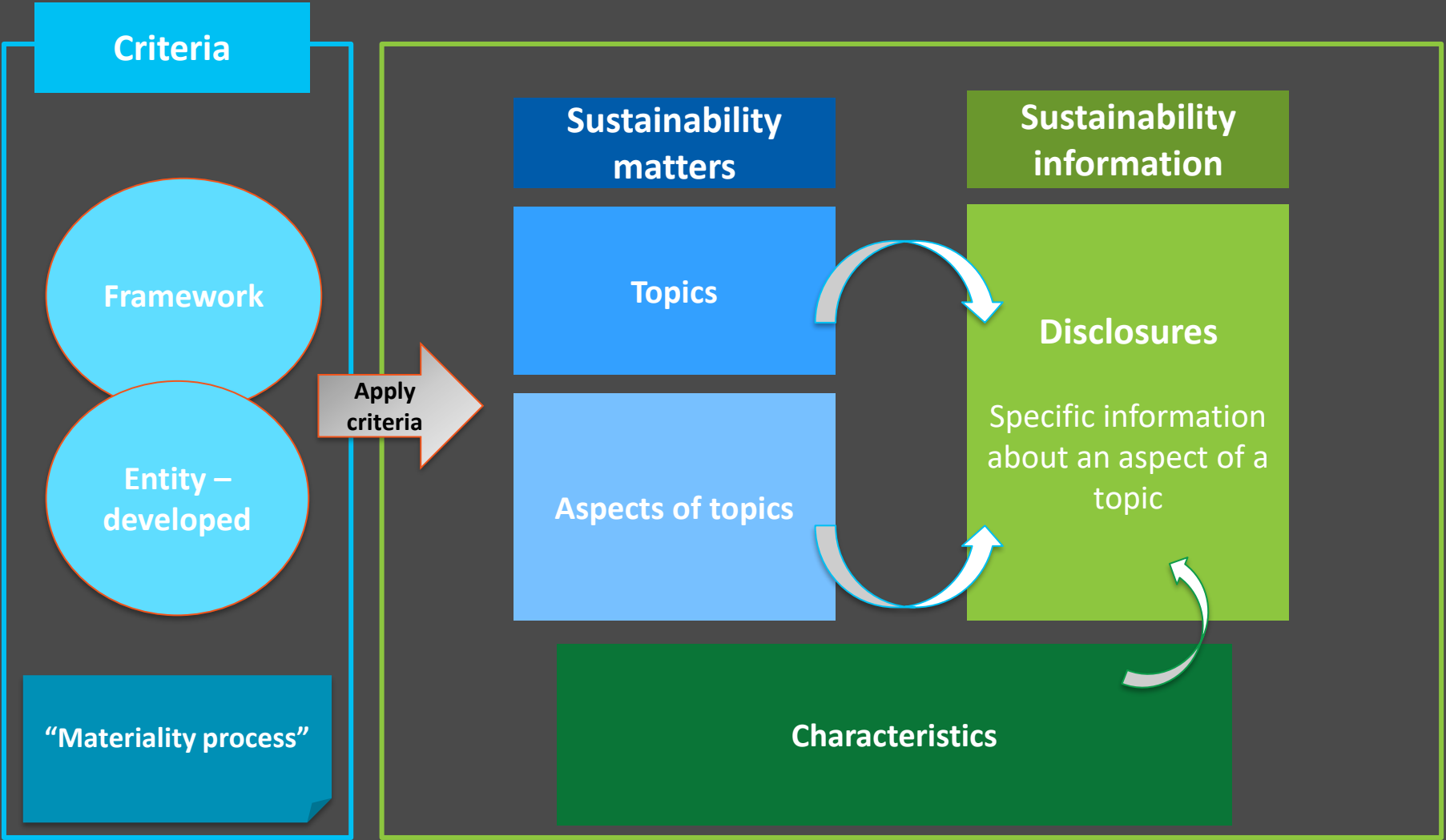
Risk and Response

Communication and Reporting

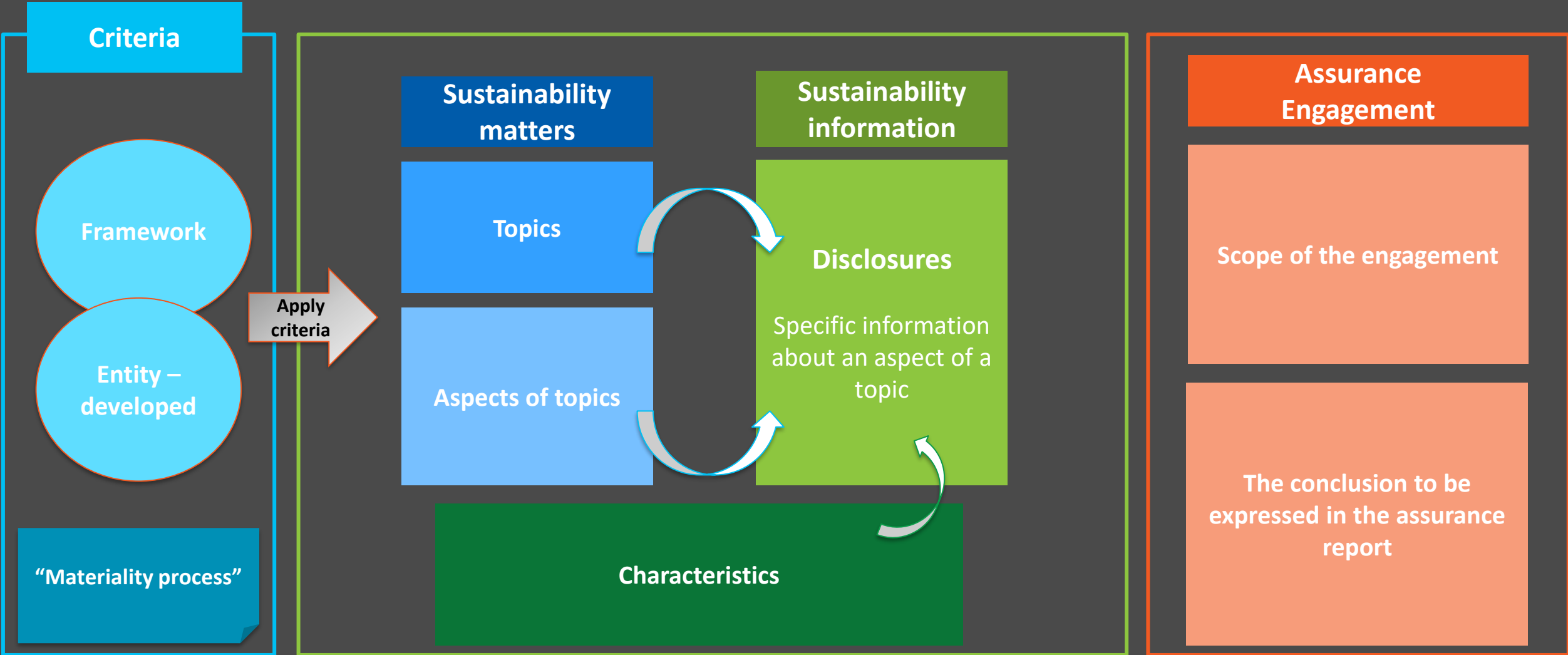
Key Principles, Concepts and Definitions



Key Principles, Concepts and Definitions



Key Principles, Concepts and Definitions



Individuals Involved in the Engagement

Who?	Guiding principle: ability of practitioner to be sufficiently and appropriately involved in the work	
	Yes	No
Firm Personnel	Engagement Team Member	N/A
Practitioner's Internal Expert	Engagement Team Member	N/A
Practitioner's External Expert	Using the Work of a Practitioner' External Expert	N/A
Other Practitioners	Engagement Team Member	Using the Work of Another Practitioner

* Requirements for direction, supervision and review apply

Practitioner Materiality

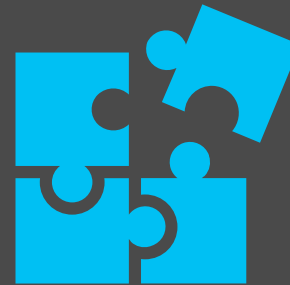
Practitioner Materiality



Consider
materiality for
qualitative
disclosures



Determine
materiality &
performance
materiality for
quantitative
disclosures



**Not for SI as a
whole, but for
each disclosure**



**Professional
judgment**



Apply a “double materiality lens”

Risk and Response



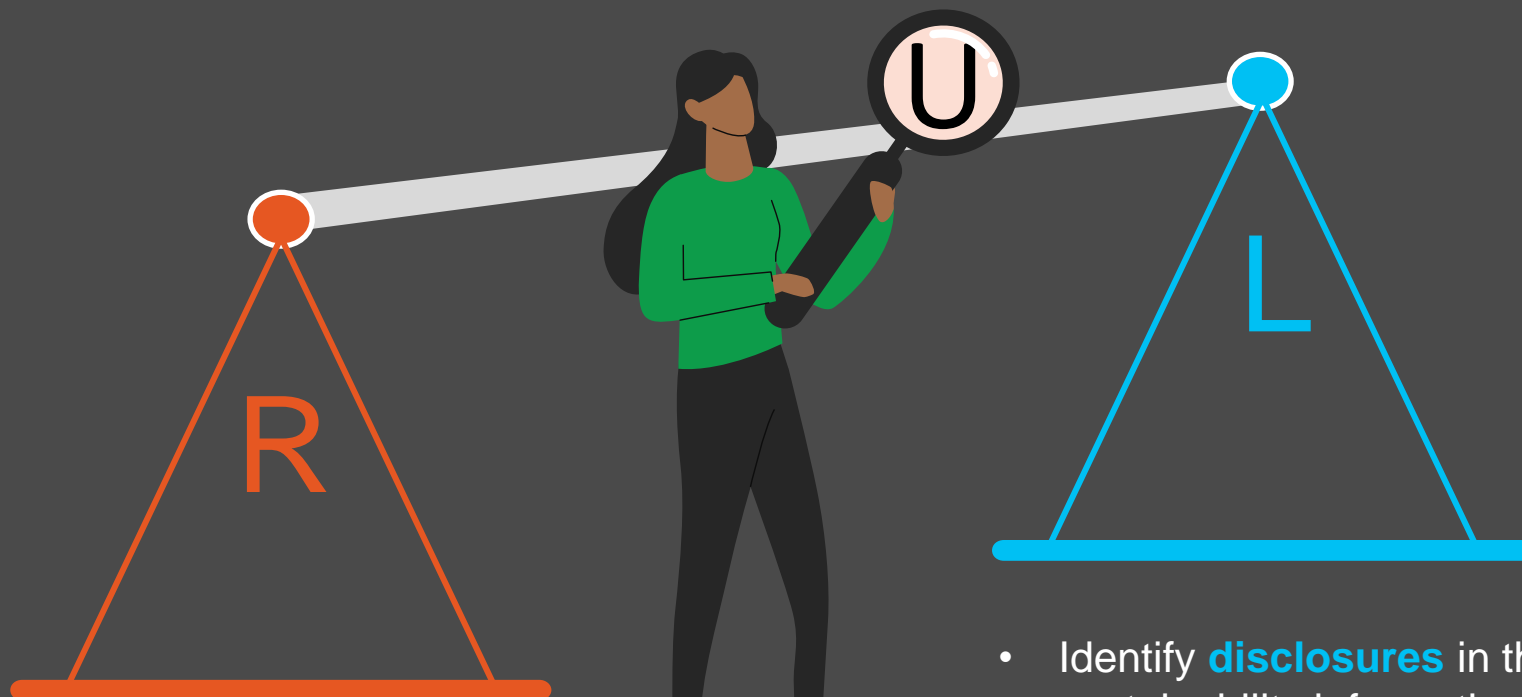
Understanding

Understand

The entity and its
environment

Applicable criteria

System of internal
control



- Identify and assess ROMM at **assertion level** for **the disclosures**
- Design of further procedures

- Identify **disclosures** in the sustainability information where **material misstatements are likely to arise**
- Design procedures to focus on those disclosures

Responses

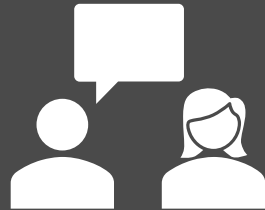
Limited Assurance		Reasonable Assurance
Nature, timing and extent focused on the <u>disclosures</u> where material misstatements are likely to arise	Designing & Performing Further Procedures	Nature timing and extent responsive to the assessed risks of material misstatement at the <u>assertion level</u>
ONLY IF obtaining evidence about operating effectiveness	Test of controls	ONLY IF obtaining evidence about operating effectiveness
May be included, will vary in nature and timing and is less in extent than for a reasonable assurance engagement	Substantive procedures	<ul style="list-style-type: none"> ➤ Required for risks at higher end of spectrum ➤ Irrespective of assessed risk, consider need for disclosures that are important to information needs of intended users

- Limited assurance: “Deep dive” if the practitioner becomes aware of a matter(s) that causes the practitioner to believe the sustainability information may be materially misstated
- Overall responses: required in certain circumstances for both LA and RA

Communication and Reporting



Communication and Reporting



TCWG

Significant matters e.g.

- Identified or suspected fraud or NOCLAR
- Identified deficiencies in internal control
- Management bias in the preparation of the sustainability information
- Uncorrected material misstatements



Assurance Report

- Based on ISAE 3000 and ISAE 3410
- Practitioner's opinion to be included first (ISA 700 (Revised))
- Name of the engagement leader (Listed entities only)
- Separate section on other information
- Communication of Key Audit Matters equivalent to be explored later

Assurance standards: are they fit for purpose?



Moderator: Isabelle Tracq-Sengeissen, IAASB

Wim Bartels, Accountancy Europe

Jose María Hinojal, EFAA for SMEs

Marc Boissonnet, Bureau Veritas

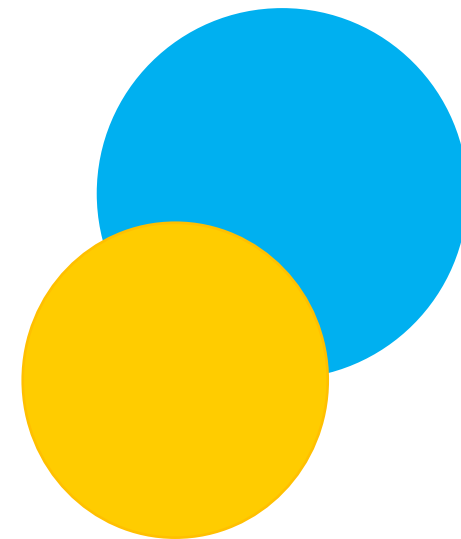
Patrick Parent, CEAOB

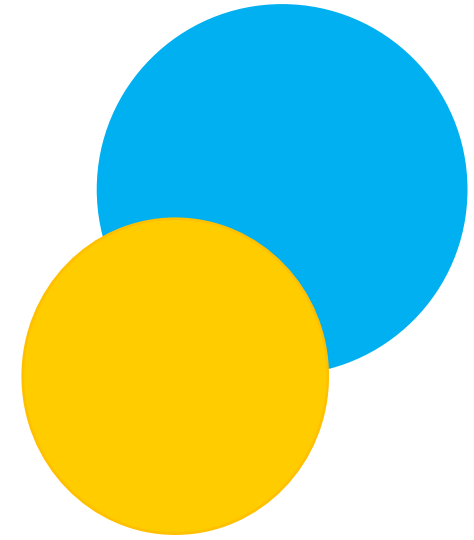
Fireside chat: issuers and investors' expectations of sustainability assurance

Moderator: Olivier Boutellis-Taft, Accountancy Europe

Tanja Castor, BASF

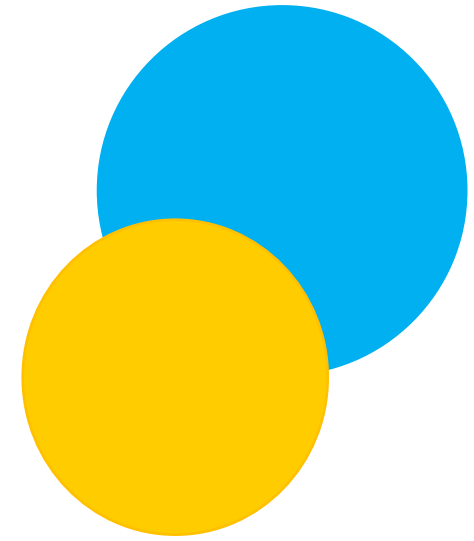
Ben Corris, Schroders





Closing remarks

Olivier Boutellis-Taft, CEO, Accountancy Europe



Networking cocktail