Sustainability Work Stream 2 – Key Definitions

March 2023 IESBA Meeting

Christelle Martin, IESBA Member and WS2 Chair
IESBA to consider proposed approach regarding certain key definitions concerning sustainability:

- Sustainability information
- Sustainability assurance practitioner
- Professional activity
Sustainability Information
IESBA and IAASB definitions should be aligned to the furthest extent possible

- Broad enough to cover all ESG matters
  - Regardless of the content that is going to be reported or subject to assurance

- Ensure resilience over time

- Framework-neutral
  - Flexible enough to be adopted by all jurisdictions, regardless of the specific applicable reporting or assurance framework
### IAASB definition Dec 2022

<table>
<thead>
<tr>
<th>Relevant Defined Term in ISAE 3000 (Revised)</th>
<th>Proposed Defined Term and Related Application Material (if any) MARKED FROM SEPTEMBER MEETING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>38</strong></td>
<td><strong>Sustainability information</strong> – Information that results from measuring or evaluating the <strong>sustainability underlying</strong> subject matter against the applicable criteria.</td>
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</table>
| [ISAE 3000 (Revised) Para 12(x)] Subject matter information – The outcome of the measurement or evaluation of the underlying subject matter against the criteria, that is, the information that results from applying the criteria to the underlying subject matter. | Application material  
A1. The practitioner may be engaged to perform an assurance engagement on only certain sustainability information reported by the entity, for example, certain key performance indicators. For the purpose of this ISSA, “sustainability information” should be interpreted in the context it is being used, i.e.,  
(a) In some cases, sustainability information refers to all sustainability information reported by the entity  
(b) In other cases, sustainability information refers only to the sustainability information within the scope of the assurance engagement. |
Sustainability Information – 2 Approaches

**IAASB approach:**

- Process-oriented
- Generic & makes no reference to ESG matters
- Encompasses reporting activities but may be too technical to be fully appreciated outside the assurance context

**WS2 proposed approach:**

- Overarching definition that can be more understandable by stakeholders that are not assurance practitioners from the accountancy profession
- More specific and better differentiated from ISAE 3000 (Revised), which may be seen as too generic and technical
Sustainability Information – Other Definitions

• ISSB’s description of the concept of “sustainability” (Dec 2022)

• ISSB’s draft definition of “sustainability-related financial information” (p. 41)

• EFRAG’s draft definition of “sustainability matters” (p. 28)
Sustainability will be described in the ISSB’s General Sustainability-related Disclosures Standard (S1) as the ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term. Sustainability is a condition for a company to access over time the resources and relationships needed (such as financial, human, and natural), ensuring their proper preservation, development and regeneration, to achieve its goals.

Sustainability-related financial information [means] Information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity’s business model and strategy for sustaining and developing that model depend.

‘Sustainability matters’ means environmental, social and human rights, and governance factors, including sustainability factors defined in point (24) of Article 2 of Regulation (EU) 2019/2088

Point (24) of Article 2 of Regulation (EU) 2019/2088:

‘sustainability factors’ mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
EFRAG’s draft definition was used as the starting point since it is broader and not linked to a specific perspective relating to single vs double materiality.

Desired key attributes that WS2 has taken into account in developing the draft definition:

- Broad reference to the typical ESG factors (environmental, social, governance) without examples so definition can be all-encompassing.
- Reference to historical information as well as forward-looking information.
- Framework-neutral (notably in terms of single/double materiality).
- ISSB’s reference to “over the short, medium and long term” in the description of the concept of “sustainability” was also used.
- Reference to jurisdictions’ specificities – the term “specific information” intends to cover particular factors, relevant materiality, etc.
Sustainability Information – Working Draft

**WS2 – Working draft:**

**Sustainability information**

Information relating to environmental, social and governance factors, including policies, performance, plans and goals, that are relevant to an organization’s activities or impacts over the short, medium and long term.

This also includes any specific information designated as such by the applicable reporting framework in the particular jurisdiction.
Questions/Comments
Sustainability Assurance Practitioner
<table>
<thead>
<tr>
<th>IAASB definition Dec 2022</th>
<th>Relevant Defined Term in ISAE 3000 (Revised), ISAE 3400 or ISAE 3410</th>
<th>Proposed Defined Term and Related Application Material (if any)</th>
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<td>28</td>
<td><strong>[ISAE 3000 (Revised) Para 12(c)]</strong></td>
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<td></td>
<td><strong>Practitioner</strong> – The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). Where this ISAE expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used.</td>
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Sustainability Assurance Practitioner

**WS2 Draft Definition:**

Alignment with IAASB definition, i.e.

*The individual(s) conducting the engagement (usually the engagement [leader / partner] or other members of the engagement team, or, as applicable, the firm).*

Term in [brackets] depends on decision regarding the use of “engagement partner” vs “engagement leader” (WS1 definition)
• Specific term to be adopted ("sustainability assurance practitioner" or simply "practitioner") depends on IESBA’s strategic decision on the positioning of profession-agnostic standards
  
  – If fully integrated approach (i.e., integrated into Part 4A) → “sustainability assurance practitioner”
  
  – If new Part 5 or standalone approach → “practitioner” (tighter alignment with IAASB proposed definition)
Questions/Comments
Professional Activity
Professional Activity

Extant Code’s definition

An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, tax, management consulting, and financial management.

Definition needs to be relevant for both sustainability reporting (by PAs) & sustainability assurance (by PAs and non-PAs)
Professional Activity

**WS2’s Current Thinking:**

- Extant definition is used by PAOs (e.g., AUS) for certification, qualification, training, etc. of PAs – delicate definition, careful changes

- Retain *(if fully integrated approach)* and expand the examples to cover sustainability-related activities/fields

- Discussed the skills and expertise required for *(accountancy and)* sustainability reporting/assurance
Professional Activity

- Open topic re sustainability assurance: Changes depend on strategic decision on positioning of profession-agnostic standards

If fully integrated approach:

Are activities such as preparing sustainability information & providing assurance thereon adequately covered by the reference to “[accountancy] related skills”?

If new Part 5 or standalone approach:

Should all examples be maintained, notably “accounting”?

If new Part 5 or standalone approach: changes to definition would be self-contained, thus not exposing extant definition’s use for PA’s certification, qualification, training, etc.

This issue does not apply to sustainability reporting if IESBA develops ethics standards for PAs only
Questions/ Comments