



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
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المنظمة الدولية لهيئات الأوراق المالية

## The Board of the International Organization of Securities Commissions

### **IOSCO encourages standard-setters' work on assurance of sustainability- related corporate reporting**

15 September 2022

IOSCO welcomes the work of the international audit and assurance standard setters – the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) – on assurance of sustainability-related corporate reporting. There is a growing trend of stakeholders seeking assurance of sustainability-related information, whether on a voluntary basis or to meet regulatory requirements. The IAASB and the IESBA work is an important response to the accompanying market demand for robust standards applicable to all providers of sustainability assurance that can be used to foster independent, high-quality engagements and consistent practices.

In particular, IOSCO welcomes the Boards' plans to work towards high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability-related information. This work will serve to support the consistency, comparability and reliability of sustainability-related information provided to the market, enhancing trust in the quality of that information.

#### **The current landscape of sustainability-related assurance**

As part of IOSCO's overall [vision](#) for enhancing issuers' sustainability-related corporate reporting to respond to the needs of investors, IOSCO [established](#) a dedicated workstream to support and promote the development of a sustainability-related assurance framework. This work has been progressed in parallel to the work towards global baseline sustainability-related reporting standards by the International Sustainability Standards Board (ISSB).

IOSCO held a roundtable in February 2022 – bringing together over 140 stakeholders in different industries and geographies – in which participants observed that greater standardisation in reporting is key to a robust assurance framework. They encouraged assurance and ethics standard-setters to build on the foundation of existing standards. They also expressed strong support for IOSCO to play a role in facilitating that work.

# IOSCO STATEMENT



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Since February, IOSCO has engaged with different stakeholder groups – investors, issuers, assurance providers, and standard setters – across different regions and heard the following key messages:

- Among investors, there is growing demand for assurance to enhance the reliability of corporate sustainability reporting
- While limited assurance may be the most realistic objective in the short term, investors typically see reasonable assurance as the long-term target, especially in respect of metrics such as those related to greenhouse gas emissions;
- Issuers expressed a need for assurance standards that are effective in the current landscape of sustainability reporting and are capable of keeping up with evolving standards and practices;
- Investors and issuers see consistent and comparable assurance standards for sustainability-related information as key to supporting high-quality assurance engagements.

## **Important standard setting considerations as the landscape for sustainability-related assurance develops**

As the IAASB and the IESBA begin their work to develop high-quality international assurance, and ethics (including independence) standards for assurance over sustainability-related reporting, IOSCO encourages them to consider these key messages and highlights three priority areas for their Boards' consideration:

### **1. *The importance of profession-agnostic standards, timely progress and collaboration***

In light of the growing demand for, and pace of change relating to, investor-focused sustainability-related information, it is important to understand market developments in this area and move forward quickly while adhering to due process.

- IOSCO welcomes both the IAASB's and IESBA's plans to develop sustainability-related standards that build on the requirements and principles of existing standards<sup>1</sup> –that could apply irrespective of whether an assurance engagement is provided by an audit firm or a non-audit firm.

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<sup>1</sup> For example, ISAE 3000 (revised) on *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, ISAE 3410 on *Assurance Engagements on Greenhouse Gas Statements, the Extended External Reporting (EER) Guidance and ISO 14065* and the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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- IOSCO encourages the IAASB and the IESBA to collaboratively engage with each other, and providers of other frameworks that are currently used in some assurance engagements on sustainability-related information.
- It is also important that these standards support connectivity in assurance services between sustainability-related information and financial reporting, regardless of whether these services are provided by the same assurance provider.
- To that end, IOSCO also welcomes the dialogue that the IAASB and the IESBA have opened with the ISSB. IOSCO encourages continued close engagement as the standard-setters advance their respective work programmes to foster compatibility between international financial reporting, sustainability reporting, and assurance standards.

## **2. Focus on promoting transparency**

To enhance the reliability of a preparer's sustainability-related reporting, investors need confidence that third-party assurance engagements have been conducted to an equivalent high quality in accordance with professional, technical and ethics standards – whether carried out by an audit firm or a non-audit provider. Further, it is currently not always clear to users of sustainability-related information which items have been subject to assurance, which standards have been applied, or the level of assurance provided. In particular, IOSCO encourages the IAASB:

- To set clear requirements that promote transparency over which elements are subject to assurance, the standards applied, the conclusions reached and whether limited or reasonable assurance has been provided.
- To consider how its standards can support such transparency, irrespective of the type of provider and whether the standards are applied on a mandatory or a voluntary basis.

## **3. Addressing challenging issues**

In comparison to financial reporting, sustainability-related reporting typically involves a more extensive narrative component, more forward-looking information, and more reliance on information pertaining to the issuer's value chain, outside of the issuer's internal controls. It may also be disclosed in different formats and across different documents. IOSCO encourages the IAASB:

- To consider these issues as it develops its standards, building on existing provisions in ISAE 3000 (Revised), ISAE 3410 and EER Guidance.



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- To consider carefully feedback received from investors regarding prioritisation of assurance for certain targeted disclosure items.
- To consider including guidance on using robust methodologies and rigorous risk assessment processes.

IOSCO encourages the IAASB and the IESBA Boards:

- To work with others in the ecosystem to support capacity-building by providing support and guidance as appropriate.

### **Next steps**

The entire sustainability-reporting ecosystem is evolving. Stakeholders will need to adapt to new sustainability-related reporting standards and to enhanced expectations among increasingly sophisticated users of sustainability-related information across financial markets. IOSCO will continue to support its members and other stakeholders in the journey to improve the consistency, comparability, and reliability of corporate sustainability-related reporting, including the assurance of sustainability-related information.

As international standard-setting processes progress, IOSCO encourages assurance providers, issuers, investors, and other service providers to engage with the IAASB and the IESBA as they progress their standard-setting work. IOSCO also encourages stakeholders to build capabilities and improve internal practices, including to ensure Board expertise and effectiveness.

IOSCO is planning a second global roundtable in the coming months to discuss further the messages from its factfinding activities and to gather feedback on the priority areas above, as well as others such as the extent to which assurance over digital reporting should be expected. This will help IOSCO to consider how it can best support global enhancements in assurance of sustainability-related reporting. Building on the feedback from the roundtables and other engagements, IOSCO plans to issue a public report in early 2023 summarising insights from its factfinding work and charting a path for IOSCO's ongoing engagement as the reporting landscape develops, working closely with the IAASB and the IESBA.

Alongside this work, IOSCO [continues](#) its active engagement with the ISSB on the development of its first reporting standards. IOSCO's criteria for assessing whether the final ISSB standards are fit for potential endorsement include whether the standards can support the application of a robust assurance framework for information reported in accordance with those standards. The process for IOSCO's potential endorsement of the ISSB's standards will begin after the ISSB has issued its final standards.