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# IAASB Launches Consultation on ISSA 5000, the Proposed Global Sustainability Assurance Standard

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In August 2023, the International Auditing and Assurance Standards Board (IAASB) issued its [proposed International Standard on Sustainability Assurance \(ISSA\) 5000](#), “General Requirements for Sustainability Assurance Engagements.” ISSA 5000 is described as a comprehensive sustainability assurance framework designed to enhance the trust that investors, regulators and other stakeholders can place in corporate sustainability information.

ISSA 5000 is intended to be adaptable to sustainability information shared by any entity across industry and sector, regardless of the sustainability topic or applicable international reporting framework. This is particularly relevant as sustainability regulatory frameworks change, disclosure requirements grow more complicated, and investors, consumers and regulators have increased concerns over greenwashing. In a [press release](#) accompanying the issuance of ISSA 5000, IAASB stated that the framework serves as a standalone standard adaptable to both limited and reasonable assurance engagements (respectively, review and examination, using U.S. terminology). As Vice Chair of the IAASB Josephine Jackson clarified in a [video](#) introducing the draft standard, the proposed ISSA 5000 was developed to be profession-agnostic, so that it can be used by both accountants and non-accountant assurance practitioners.

The ISSA 5000 is a principles-based standard, with a greater focus on establishing principles or facilitating beneficial outcomes rather than on the mechanics of particular procedures. This scalability may make the ISSA 5000 in its final form broad enough to remain useful to diverse stakeholders, while leaving flexibility for assurance practitioners to rely on their own professional judgment in planning and executing assurance engagements.

The ISSA 5000 builds on existing standards, including the [International Standard on Assurance Engagements \(ISAE\) 3000 \(Revised\)](#) and [ISAE 3410](#), by extension also building on the [Non-Authoritative Guidance on Applying ISAE 3000](#). Therefore, in addition to the ISSA 5000, IAASB also published Proposed Conforming Amendments and Consequential Amendments to Other IAASB Standards, and an [Explanatory Memorandum](#). The project proposal was approved September 2022, and the draft ISSA 5000, Amendments and Explanatory Memorandum will remain open to public comments for four months.

Stakeholders can provide commentary on the proposed revisions until December 1, 2023, [through the IAASB website](#), using either the Response Template designed for more technical feedback, or a stakeholder survey designed to allow “sustainability reporting users and preparers, [who] may wish to share views or provide input at a more overall or less technical level,” to provide feedback. After reviewing stakeholder commentary, the finalized standard will be issued in 2024.

**Taking the Temperature: We have commented on trust in sustainability reporting as a broader theme a number of times, including [here](#) and [here](#). External assurance can help increase confidence in financial and other reporting for investors, regulators, and other stakeholders. ISSA 5000 supports greater use of external assurance by offering more sustainability assurance standardization than had previously been proposed.**

**[As we have reported](#), IAASB moved up the projected release date of the draft ISSA 5000 in order to facilitate a longer public consultation period while maintaining its promised 2024 deadline for publication of the final standard. Although the release date is on the latter end of the expected timeline, the August 2 draft is nonetheless two months ahead of the initial projection of October, allowing more time for input from stakeholders. IAASB has stressed that stakeholder participation is vital for better quality (and better trusted) sustainability standards.**

**[As we discussed](#), developing global standards for assurance on sustainability is a key component of IAASB’s medium-term progress, and is listed as a key strategic objective in its 2024-2027 work plan. The finalized ISSA 5000 will accommodate the reporting frameworks issued by jurisdictions like the EU and the U.S., and those of other sustainability standard setters, including (among others) the International Sustainability Standards Board, the Global Reporting Initiative and the International Organization for Standardization. As a result, numerous regulatory and standard-setting actors may provide feedback before the ISSA 5000 is finalized.**

**This standard is notable for its broad scope. One element that likely increases ISSA 5000’s appeal is that, as an overarching standard, it works in both limited and reasonable assurance engagements. The decision about which level of assurance is optimal for a company’s ESG reporting is a meaningful one, and must take into account budget, confidence and reputational factors. ESG assurance is likely to become an important differentiator, and ISSA 5000 (in its final form) may become a useful tool as companies seek to distinguish themselves through the quality of their reporting.**

# The Economics of Biodiversity: UK Introduces Sweeping Inquiry Into Role of Private Finance in Nature Recovery

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In August 2023, the UK Parliament’s Environmental Audit Committee launched an inquiry into the current and future role of private finance in nature recovery, in order to meet its goal of reaching Net Zero by 2050 while boosting the UK economy. The [Call for Evidence](#) examines the role of “natural capital” – that is, the stock of renewable and non-renewable assets that “yield a flow of benefits to people” – in the green economy, with a view to expanding the UK government’s commitment to leverage private investment for nature recovery. The Inquiry further explores how the UK might develop these markets.

MP Philip Dunne, the Environmental Audit Committee Chair, stated that “the financial sector will have a significant role to play in promoting the development and enhancement of the nation’s natural capital, from air to water, soil to forests, as the UK economy begins to embrace the economics of biodiversity.”

The definition of natural capital comes from the [2021 Dasgupta Review](#). The term is used to emphasize that nature is also a capital asset, with real impact on the UK economy, “like produced capital (roads and buildings) and human capital (knowledge and skills).”

This Call for Evidence launches just before the upcoming [UN Climate Change Conference \(COP28\)](#), at which nature is expected to be a key area of focus; and follows the [December 2022 UN Biodiversity Conference \(COP15\)](#), which [raised the profile of biodiversity](#) in the global regulatory agenda.

Over the last several years, as in other jurisdictions around the world, the UK has increased its commitment to involving the financial sector in financing the green transition, as it becomes evident that the “Race to Zero” cannot be achieved through government regulation or financing alone. The Call for Evidence seeks commentary from stakeholders with knowledge on the development of natural capital markets, so that the process is participatory and produces high-quality findings.

In 2021, the Environment Audit Committee issued a report titled, [“Biodiversity in the UK: bloom or bust?”](#) which set out numerous policy recommendations to improve UK biodiversity. [One of the government responses](#) to this report was the development of an Outcomes Indicator Framework (OEF) to measure progress against the Environment Improvement Plan

and its five-yearly updates. The OEF was developed on a natural capital assessment basis, and this new Inquiry is designed to provide useful feedback on its utility. Other notable policy recommendations relate to piloting a Natural Capital and Ecosystem Assessment (NCEA), a mandatory biodiversity net gain requirement (BNG), and the Taskforce on Nature-related Financial Disclosures (TNFD). The Call for Evidence seeks responses on all of these measures.

**Taking the Temperature: [As we have reported](#), nature and biodiversity preservation and enhancement has become a global priority. The European Union has been at the forefront of these developments, [as we also have discussed](#). To that end, the UK has been scaling up its own efforts to address nature and biodiversity in recent years, including through a recent [joint measure with France](#) to boost the biodiversity credit market. However, these efforts should be considered in the light of recent developments involving UK Prime Minister Rishi Sunak's reported intentions to scale back the UK's green agenda. While the country remains committed to net zero by 2050, other key transition plans will reportedly be delayed or weakened.**

**This Inquiry and Call for Evidence is an important step for the UK's path to net zero. In 2021, HM Treasury announced its ambitious [goal to increase private investment in nature](#) to at least £500 million a year by 2027 and £1 billion a year by 2030. This Inquiry will identify steps to implement that plan more clearly. The Call for Evidence also seeks to operationalize the [2023 Green Finance Strategy](#), in which the UK sets out its plan to become the world's first Net Zero-aligned financial center.**

# Australia Regulator Initiates Greenwashing Suit Against Active Super Over ESG Investing Claims

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On August 10, 2023, the Australian Securities and Investments Commission (ASIC) **announced its third civil penalty proceeding this year** for greenwashing against LGSS Pty Limited, which is trustee for superannuation fund Local Government Super (Active Super). ASIC alleges that Active Super made false or misleading representations to the market and engaged in conduct liable to mislead the public when it claimed that it would cease investment in certain sectors that were harmful to the environment and community, including gambling, tobacco, oil tar sands and coal mining. Despite these claims, ASIC alleges that from February 1, 2021 to June 30, 2023, Active Super's portfolio included 28 holdings, either directly or indirectly, in securities issued by companies in these industries. **In its Federal Court filing**, ASIC outlined that Active Super had made statements on its website and on social media claiming that the fund "eliminate(s) investments that pose too great a risk to the environment and community," while providing examples of Active Super securities holdings in sectors it claimed to restrict. Following Moscow's invasion of Ukraine in February 2022, Active Super stated in May 2022 that it had added Russia to its list of excluded countries and that it would stop investing in Russian companies. However, ASIC also alleges that as at 30 June 2023, Active Super still held securities in several Russian companies, including Gazprom PJSC and Rosneft Oil Company.

**ASIC Deputy Chair Sarah Court** has acknowledged the competition that super funds face in attracting new members and that funds seek to appeal to investors with promises that their investments will not be exposed to certain industries. However, Deputy Chair Court warns that "when making these claims super funds must have evidence to back their claims and ensure they are not promising exclusions that they cannot guarantee."

In response, **Active Super stated** that it "has co-operated with ASIC's investigation and welcomes increased scrutiny on ESG disclosure standards as being good for members, the super industry and the community." As of July 2023, Active Super had approximately 89,000 members with around A\$13.5 billion in superannuation assets.

ASIC's action is just the latest by the regulator, which has issued a number of enforcement notices in connection with greenwashing activities as part of its key 2023 enforcement priorities – such as **against Future Super** in May.

**Taking the Temperature: ASIC's active approach to tackling greenwashing is by now well established not only due to its [continued enforcement actions](#) but also given that it has made greenwashing an [enforcement priority](#). The allegations leveled against Active Super are similar in nature to those [ASIC made against Mercer](#) earlier this year, which, according to ASIC, also made misleading statements about the sustainability of its Sustainable Plus options, claiming to have prohibited investment in companies involved in sectors that are harmful to the environment and community, but in fact continuing to hold investments in Australian companies in the mining, alcohol and gambling sectors. [ASIC also pursued Vanguard Investments Australia](#) earlier this year. Another consideration in assessing ASIC's activity is that superannuation funds, which evidently are a focus of ASIC, are retirement funds composed of individual retail investors, who often are afforded relatively greater regulatory protection as opposed to institutional investors.**

**Australia is currently [consulting on the implementation](#) of the International Sustainability Standards Board's sustainability standard IFRS S2 (Climate-related Disclosures). As entities begin to report in compliance with this standard, ASIC is likely to pay close attention to disclosures and we expect, therefore, to see a continued upward trend of greenwashing enforcement action.**

# United Nations Releases First Global Stocktake on Parties' Achievements Under the Paris Agreement

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On September 8, 2023, the United Nations published its first **Global Stocktake report** on the progress made by nations in addressing climate change. The report, which represents the first comprehensive assessment of nearly 200 countries' efforts to tackle climate change since the adoption of the Paris Climate Agreement in 2015, underscores the need for nations to significantly enhance their clean energy ambitions. The UN outlines in the report that the world is rapidly approaching a critical juncture in the fight against climate change, and immediate action is imperative to achieve the Paris Agreement's objectives.

## Progress and Challenges

Since the adoption of the Paris Agreement, nations have taken some measures to mitigate global warming. While this has resulted in a modest reduction in the rate of temperature increase, the report emphasizes that the world remains off track to achieve the Paris Agreement's long-term goals and significantly more action is required to meet the pressing challenges posed by climate change. According to the report, governments must support system transformations that integrate climate resilience and low greenhouse gas emissions development.

## Greenhouse Gas Emissions

The report highlights a trend of continuous global growth in greenhouse gas emissions, which is not aligned with the Paris Agreement's temperature goals. To remain on track to meet the Agreement's goals, emissions must peak by 2025. There is therefore a need to raise ambitions and implement existing commitments to limit global warming.

## The Long-Term Goal

Achieving net-zero greenhouse gas emissions on a global scale by mid-century is the ultimate objective of the Paris Agreement. To reach this goal, countries must make consistent progress, with emissions reductions of over 40% by the end of this decade, and 60% by 2035, compared to 2019 levels. The report states that ambition in adaptation plans and commitments is increasing, but efforts remain fragmented and unequally distributed. There is a need for accelerated implementation and long-term reforms that integrate climate change risks into



decision-making. Increased adaptation action, and efforts to avert, minimize and address loss and damage are needed, especially for vulnerable communities.

## **Fossil Fuels Transition**

Notably, the report acknowledges the importance of transitioning away from fossil fuels. It promotes the concept of net zero emissions, allowing for some emissions if equivalent carbon dioxide removal occurs. The report also calls for the gradual phase-out of "unabated" fossil fuels, which implies that certain technologies may be permitted if they can effectively reduce CO2 emissions from sources such as coal- and gas-fired power plants.

The report states that economic diversification is a key strategy to address the impact of response measures. Opportunities for diversification include green industrialization and supply chain greening. Achieving net zero CO2 and greenhouse emissions will require transformative changes across all sectors and contexts, including renewable energy adoption, ending deforestation, and addressing non-CO2 emissions. A whole-of-society approach and alignment with sustainable development goals are vital.

The report also notes that just transitions can support robust and equitable mitigation outcomes, and tailored approaches should be employed to address different contexts. Equity should align with increasing ambition in implementing the Paris Agreement.

**Taking the Temperature: The United Nations is [once again](#) calling for closer cooperation in fighting climate change. The report calls for immediate and substantial action to meet the Paris Agreement's objectives and avoid the most severe consequences of global warming. Similar to the introduction of the [Recognition and Accountability Framework](#), the United Nations has reaffirmed that it is imperative for all stakeholders, including governments, non-party stakeholders, and the private sector, to significantly ramp up their climate efforts. The report outlines the necessity for stronger international cooperation, particularly in the areas of technology transfer, finance mobilization, and capacity-building. This builds upon the Columbia Center for Sustainable Investment's report claiming that many financial institutions' climate strategies are not currently aligned with the Paris Agreement's global climate goals, [which we reported previously](#).**

**The report will feature prominently at COP28, where countries will address plans for achieving their climate ambitions as well as how to secure financing, particularly for developing nations. The report does not implicate one country over another in terms of progress, which echoes a theme we see on the subject of climate change – while the general consensus is indeed that action needs to be taken urgently, there is disagreement as to which countries should bear the onus. Countries in the developing world argue that wealthier nations or regions like the U.S. and Europe should reduce fossil fuel use more rapidly and fund climate efforts in poorer nations.**

**And, although a periodic stocktake is important – and it is certainly a process entrenched within the Paris Agreement – the report does not contain concrete proposals as to how countries can better implement the terms of the Paris Agreement.**

# UK Independent Green Taxonomy Advisory Group Publishes Advice and Guidance on Green Taxonomy

September 26, 2023



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In early September 2023, the Green Technical Advisory Group (GTAG) issued two reports relating to the treatment of green financial products and taxonomy reporting. GTAG was established in 2021 and is an expert group that provides independent advice in respect of the UK government's delivery of a Green Taxonomy, including the development of technical screening criteria. It is chaired by the Green Finance Institute and is comprised of key financial market stakeholders and subject matter experts.

## Developing a UK Taxonomy Adapted to the UK's Needs in the Short and Medium Term

GTAG has considered whether coverage of the UK Green Taxonomy should be adapted to better reflect the needs of the UK economy, drawing specifically on the experience of the EU and other jurisdictions. In this report, GTAG:

- emphasizes the need for the UK government to prioritize the delivery of a “credible, robust and usable” green taxonomy, with decisions regarding extension of the taxonomy to additional sectors (including for hard to abate sectors) for later review;
- highlights those sectors and industries in the UK which, according to GTAG, should be prioritized as part of such extension; and
- advises that the UK government outline how any existing and planned policy initiatives can enable the UK's transition, in order to consider the impact of an extended taxonomy in the short term.

GTAG's advice underscores the need for clear definitions and criteria in order to determine which economic activities qualify as environmentally sustainable, promoting transparency and reliability. The guidance highlights the significance of key performance indicators (KPIs) in monitoring and reporting on taxonomy-aligned activities. GTAG recommends aligning reporting with existing international standards where appropriate, to minimize complexity and promote international comparability.

## Getting KPIs Right: Implementing an Effective Reporting Regime for the UK Green Taxonomy

In this report, GTAG highlights the need for timely information and reporting from companies so that financial institutions are able to use such information for the purposes of their reporting and disclosure obligations.

GTAG outlines specific KPIs designed to measure the environmental impact of activities within the taxonomy with recommendations tailored to non-financial companies, credit institutions and investors. The KPIs are structured to address various environmental aspects, such as carbon emissions, water usage and waste generation. GTAG also highlights that the UK's non-adoption of Articles 5, 6 and 8 of the EU Taxonomy Regulation provides the UK with the opportunity to design a more effective reporting framework, informed by user experience of the EU framework.

**Taking the Temperature: We initially reported on GTAG's advice that the UK green taxonomy should diverge from the EU's as little as possible in October 2022. GTAG's latest reports echo this sentiment and reflect GTAG's commitment to establishing a clear and effective UK Green Taxonomy that aligns with international standards while addressing the unique challenges and opportunities within the UK market. Taxonomies provide companies and investors with an understanding of which products or services are deemed sustainable and thereby enhance consistency among different jurisdictions, provided that taxonomies are as globally aligned as possible, although inevitably differences remain among different jurisdictions. We have reported previously on controversies involving certain designations in green taxonomies, such as the inclusion of natural gas and nuclear fuel in the EU Taxonomy. We also have discussed the importance of a developed taxonomy in attracting capital for sustainable projects.**

**In February 2023, GTAG called on the UK to “significantly raise its own” climate efforts in order to compete for capital globally. GTAG's September reports provide comprehensive guidance to enable the UK to properly effect its transition plans, subject to political will, particularly in light of reports that the UK Prime Minister intends to scale back the country's green transition plans.**