



ISO/TC 207/SC 7
**Greenhouse gas and climate change
management and related activities**

ISO/TC207/SC7/N873

2022-10-15

Chair: *Ms. Sara Jane Snook*
Secretariat: *Standards Council of Canada*
Committee Manager: *Mrs. Christine Geraghty*

To: Members of ISO/TC 207/SC 7

Subject: ISO/TC 207/SC 7 Proposed response to IAF request for clarification of intent

Dear Members,

Please find attached a clarification request received from the International Accreditation Forum (IAF) and a proposed response. The proposed response was provided by an ad hoc group appointed by ISO/TC 207/SC 7 Chair Sara Jane Snook. Members of the ad hoc group were Christine Schuh of Canada, John Shideler of the United States, and Graeme Drake of Australia.

The proposed clarification of intent will be discussed as an item of new business during the closing session of the 2022 ISO/TC 207/SC 7 plenary meetings in Paris, France, on Tuesday, October 18th, 2022. The attached document includes the request itself submitted on a form developed by ISO/CASCO as well as the response proposed by the ad hoc group members.

Sincerely,

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Encl.



CLARIFICATION REQUEST FORM

Date of submission: 15/08/2022

1. Requesting ISO Member or A liaison member: International Accreditation Forum (IAF)
2. Contact person: Kevin Belson
3. Position: IAF Technical Committee Chair
4. Email address: Kevin.Belson@ukas.com
Applicable clauses: ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information. <ol style="list-style-type: none">1. ISO 14065 Definitions. 3.3.16 Environmental information validation. “process for evaluating the reasonableness of the assumptions, limitations, and methods that support an environmental information statement about the outcome of future activities.”2. ISO 14065 Definitions. 3.3.18. level of assurance. “degree of confidence in the environmental information statement. Note 1 to entry: Assurance is provided on historical information.3. ISO 14065:2020, clause 9.7.1.8, “An opinion providing assurance to intended users shall be based upon the verification of sufficient and appropriate historical evidence.” <i>Comment: This leads the reader to draw the conclusion that assurance would not be offered on a validation since the validation is based on future assumptions.</i>4. ISO 14065:2020, clause 9.7.1.9, “At the conclusion of an engagement to validate statements about the outcome of future activities, the <i>validation body shall issue an opinion</i>, unless it has disclaimed the issuance of an opinion. A validation opinion on the reasonableness of the assumptions, limitations and methods used to forecast information shall be based upon the evaluation of sufficient and appropriate information.” <i>Comment: The omission of the term “assurance” here can be read and interpreted to mean that validation cannot result in assurance.</i>5. Annex B (informative). Reference to validated/verified statements and use of marks. Table B.1 – Acceptable references for validated or verified environmental information statements. <i>Comment: This table describes the subject matter for both reasonable level of assurance and limited level of assurance as “historical in nature”. It then describes “validated” as “projected or forecast” but does not mention level of assurance.</i> ISO 14064-3:2019, which is a normative reference of ISO 14065:2020 includes the following references: <ol style="list-style-type: none">1. Introduction, section 0.2 Approach to this document. “The data and information that are subject to verification are historical in nature.”2. Definitions. 3.6.5. level of assurance. “degree of confidence in the GHG statement. Note 1 to entry: Assurance is provided on historical information.”3. Definitions. 3.6.6. reasonable assurance. “level of assurance where the nature and extent of the verification activities have been designed to provide a high but not absolute level of assurance on historical data and information.”

4. Definitions. 3.6.7. limited assurance. “level of assurance where the nature and extent of the verification activities have been designed to provide a reduced level of assurance on historical data and information.”

6. Clarification request, please formulate the request clearly and where possible in a format that enables a YES or NO answer:

The language of ISO 14065 and ISO 14064-3 as referenced above are unclear as to whether or not assurance can be offered in validation. In previous versions of the standards a level of assurance was applied commonly by GHG programs. Because of this change in language and because the language is not clear in prohibiting assurance in validation, there is a risk that this may lead to the standard’s inconsistent interpretation and application globally.

Question:

Can a validation provide assurance under ISO 14065:2020 and ISO 14064-3:2019?

If yes, would limited level of assurance be applicable?

If yes, would reasonable level of assurance be applicable?

The definition of level of assurance is different in ISO/IEC 17029 than in ISO 14065. Is this intentional?

7. Consensus position of the maintenance group (This section is only to be completed by the maintenance group members)

ISO TC207/SC7/WG6 developed ISO 14064-3 in both its first edition and its second edition drawing on standards of financial accounting for the methodology of providing assurance to intended users. Since the elaboration of the first edition, ISAE 3000 has provided a major underpinning for the WG’s understanding of assurance and the processes by which it is achieved. These concepts informed the writing of ISO 14065 (all editions).

ISAE 3000, a document cited in the bibliographies of ISO 14064-3:2019 and ISO 14065:2020, is the source for information on the writing of opinions that provide assurance to intended users. Of note is the fact that the models provided do not use the term “assurance” in the “Opinion” paragraph. Instead, assurance is assumed to be provided even though the word does not appear in the sentences that convey it. An example of an opinion issued at the reasonable level of assurance may be phrased as follows (see page 710 of ISAE 3000’s 2014 edition):

“In our opinion, the financial statements present fairly, in all material respects, *(or give a true and fair view of)* the financial position of ABC Company as of December 31, 20X1, and *(of)* its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.” [NOTE: alternate language in italics was included in the quoted material.]

ISAE 3400, the Examination of prospective financial information provided key theoretical concepts for validation of forecast and prospective greenhouse gas (GHG) information. It is the source for the language used in ISO 14064-3:2019 and ISO 14065:2020 to express a validation opinion. ISAE 3400 was listed in the bibliography of ISO 14064-3:2019. ISO 14065:2020 clause 9.7.2 makes clear that opinions may be issued at the conclusion of both verification engagements and validation engagements. Examples of validation opinions are provided in ISO 14064-3:2019 in Annex D.2, where informative language suggests the following wording: “Based on our examination of the evidence, nothing comes to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in

our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with XYZ's climate change regulations." This wording may be compared to that provided in ISAE 3400 (paragraph 28):

"Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion the forecast is properly prepared on the basis of the assumptions and is presented in accordance with"

ISO 14064-3:2019 recognizes the special limitations on assurance with respect to events that will occur in the future. This explains the statement which appears in clause 9.3 that "Where the GHG statement includes a forecast of future emission reductions/removals, the GHG opinion shall explain that actual results may differ from the forecast as the estimate is based on assumptions that may change in the future." This requirement, mirrored in ISO 14065:2020 (9.7.2), was rephrased as follows: "Where the environmental information statement includes future predictions, an explanation that the actual result can differ from the estimate because the assumptions upon which the estimate is based can change." ISAE 3400 (paragraph 28) expresses this concept as follows: "Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material." The formulation of ISAE 3400 was included as an example in the informative text of ISO 14064-3 D.2 using the identical words "Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material."

The maintenance group concludes the following from this examination of the language written in ISO 14064-3:2019 and repeated in part in ISO 14065:2020:

1. Validations result in the issuance (or the disclaiming) of an opinion just as verifications do (see ISO 14065:2020, 9.7.2).
2. A validation opinion may be unmodified, modified, or adverse (see ISO 14065:2020, 9.7.1.6).
3. The validation opinion is limited to providing assurance on "the reasonableness of the assumptions, limitations and methods used to forecast information," and is "based upon the evaluation of sufficient and appropriate information" (see ISO 14065:2020, 9.7.1.9).
4. A validation opinion should be issued using the negative format, thus conferring only limited assurance.
5. There is no substantive difference in the definition of "level of assurance" between ISO/IEC 17029 and ISO 14065. ISO 14065 substitutes the phrase "environmental information statement" for "claim" because the word "claim" is not used conventionally with respect to statements made about environmental information, including greenhouse gas statements. The terminology used in ISO 14065 is consistent with that used in ISO 14064-3:2019.

With respect to point 3 above, the maintenance group clarifies that assurance does not extend to the forecast or projected information itself, since both ISO 14064-3:2019 and ISO 14065:2020 require the inclusion of a phrase in the opinion using words to the effect that "actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material."

With respect to point 4 above, the maintenance group recognizes that ISO 14064-3:2019 clause 7 does not restrict the issuance of a validation opinion to one expressing limited assurance. The maintenance group observes that the examples given in Annex D.2 and D.3 both employ the limited assurance format, and that ISAE 3400 states that a report on examination of prospective financial information includes "A

statement of negative assurance as to whether the assumptions provide a reasonable basis for the prospective financial information.” (Paragraph 27 g.)

For clarity, the maintenance group wishes to emphasize that the following points should be understood by bodies validating environmental information statements that include projected or forecast information:

- a) All validation opinions shall clearly state that assurance is provided only on the reasonable basis for the “assumptions, limitations and methods” used to project or forecast information, and not on the content of the projections or forecasts.
- b) The validation opinion shall be expressed only at the limited level of assurance.
- c) All validation opinions shall include the warning that “Actual results are likely to be different from the [forecast] [projection]* since anticipated events frequently do not occur as expected and the variation may be material.” (Note: this requirement is already stated in ISO 14064-3:2019 and ISO 14065:2020, though with slight variations in wording.)

* Use the word appropriate for the validation. ISAE 3400 defines these terms in paragraphs 4 and 5.

- d) Statements to be validated shall include, at a minimum:
 - a summary of the assumptions used by the responsible party as the basis for the projected or forecast information (see opinion conclusions on the validation of GHG statement information in D.2).
 - reference to applicable criteria (see opinion conclusions on the validation of GHG statement information in D.2).
- e) Validators should consider the informative text in ISO 14064-3:2019 Annex D which states: “Validation is applied when the emissions, removals and/or storage will occur in the future, and the validator can obtain sufficient evidence that the emissions, removals and/or storage are likely to occur, and the design of the data management systems, including the controls, are likely to be effective” (D.1).
- f) ISO 14064-3:2019 Annexes D.2 and D.3 provide examples of the appropriate wording of validation opinions. The limited assurance format used in D.3 is stated as follows:

“Based on our examination of the evidence, nothing comes to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with XYZ’s climate change regulations.

“Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.”

To be completed by maintenance group members only

Date request sent to maintenance panel	2022-09-14	
Is the clarification request formatted in an acceptable manner?	Yes ✓	
	no	
Is it clearly and unambiguously worded?	Yes ✓	

	no	
Do you have a conflict in participating in this request if so please specify.	yes	
	No ✓	