

## RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

### Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the [ED-5000 webpage](#) to upload the completed template.

**Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements**

**PART A: Respondent Details and Demographic information**

Your organization’s name (or your name if you are making a submission in your personal capacity)	PHILIP MORRIS INTERNATIONAL INC.
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Isil Acikgoz Erdal Esra Ulku
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	<a href="mailto:isil.acikgoz@pmi.com">isil.acikgoz@pmi.com</a> <a href="mailto:esra.ulku@pmi.com">esra.ulku@pmi.com</a>
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	<a href="#">Global</a>
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	<a href="#">Preparer of sustainability information</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

**Information, if any, not already included in responding to the questions in Parts B and C:**

**PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000**

*For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.*

**Overall Questions**

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

*(See Explanatory Memorandum Section 1-A, paragraph 14)*

**Overall response:** Agree, with comments below

**Detailed comments (if any):**

We appreciate the efforts in developing such over-arching standards and believe in the tremendous value and direction it brings to the sustainability assurance while highlighting the need and urgency for more specific standards. Considering the highly complex and sometimes technical subject matters there will be a need for sustainability matter specific or framework specific rules or guidance to clarify the generally accepted approach to assure specific matters.

As it is also acknowledged by ISSA 5000, current approach requires high level of professional judgement in every aspect of the assurance, therefore clarifications and generally accepted rules to bring judgmental aspects onto a common ground would increase consistency and comparability of the results.

We also appreciate the approach taken by the IAASB to provide immediate guidance and FAQ for common concerns raised before the finalization of the standards (e.g FAQ on Materiality). Such pre-emptive guidance on other areas of concern would help to establish a common understanding across different stakeholders of sustainability assurance engagements in an era of foundation setting. Moreover, keeping similar consultation and feedback channels open for the future enhancements would enable to address the needs that are identified through real-life experience and implementation.

*Public Interest Responsiveness*

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

*(See Explanatory Memorandum Sections 1-B, and Appendix)*

**Overall response:** No response

**Detailed comments (if any):**

## Specific Questions

### *Applicability of ED-5000 and the Relationship with ISAE 3410*

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

*(See Explanatory Memorandum Section 1-C)*

**Overall response:** [No, with comments below](#)

#### **Detailed comments (if any):**

According to ISSA 5000, when a separate conclusion on GHG is provided, ISAE 3410 applies. However, an assurance engagement may cover multiple sustainability matters (i.e. an entity's whole sustainability report) including GHG itself. Further clarification may be necessary on which standard to apply in such cases as well as the rationale for the full or partial applicability of each under different circumstances.

### *Relevant Ethical Requirements and Quality Management Standards*

4. Is ED-5000 sufficiently clear about the concept of "at least as demanding" as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm's responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

*(See Explanatory Memorandum Section 1-D)*

**Overall response:** [No, with comments below](#)

#### **Detailed comments (if any):**

The concept of "at least as demanding" has been referred to several times within the document but not defined clearly under definitions as a concept. The standard states in article A3 "Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements and may provide guidance about what constitutes "at least as demanding" as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm's responsibility for its system of quality management". This conveys a message that definition of "at least as demanding" may change according to jurisdiction or by decisions of regulators. On the contrary, it is expected that IESBA Code and ISQM 1 to establish a minimum baseline. A concrete definition of the concept and its repercussions whenever local laws and regulations impose stricter or more tolerant rules than IESBA and ISQM 1 will provide more clear understanding wherever the terminology is used and applied.

*Definitions of Sustainability Information and Sustainability Matters*

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?  
(See *Explanatory Memorandum Section 1-E, paras. 27-32*)

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

No response

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?  
(See *Explanatory Memorandum Section 1-E, paras. 35-36*)

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

No Response

*Differentiation of Limited Assurance and Reasonable Assurance*

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?  
(See *Explanatory Memorandum Section 1-F, paras. 45-48*)

**Overall response:** [No, with comments below](#)

**Detailed comments (if any):**

We acknowledge and appreciate the appropriate basis and comparative display of requirements under limited and reasonable assurance engagements. However, given that sustainability is a new but rapidly developing area covering a very broad span of matters, there are no established approaches or global benchmarks in its application. Therefore, further clarification with illustrative application material for limited and reasonable assurance boundaries is needed, especially on the assurance requirements throughout the value chain, more specifically when the information data is sourced from third-party entities. The assurance procedures required on third-party data used in sustainability disclosures need to be clarified as this is one of the biggest challenges faced by preparers of sustainability report.

Regarding engagements combining limited and reasonable assurance, conveying a clear message on the level of assurance on each piece of information may be a challenge, especially where the engagement covers a wide span of sustainability information. Further guidance on distinguishing limited and reasonable

assurance parts and communicating this to serve the needs of the audience ensuring clear understandability will be helpful.

In general, illustrative examples and practical guidance would help to bring clarity on the subject. Considering that newly introduced mandatory disclosure standards (e.g., CSRD/ESRS) require external assurance starting from limited assurance which will gradually increase to reasonable assurance, it is important to clarify the minimum requirements for limited assurance and additional requirements on the way to reasonable assurance. This will enable firms to appropriately prepare and plan for limited and reasonable assurance as per voluntary and/or regulatory requirements and manage their stakeholders in the value chain towards this target.

*Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement*

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

*(See Explanatory Memorandum Section 1-F, para. 51)*

**Overall response:** [Yes, with comments below](#)

**Detailed comments (if any):**

We consider that a degree of flexibility should be embedded when the practitioner is forming the preliminary understanding of the sustainability information expected to be reported. Particularly in the first years of regulatory driven sustainability reporting, entities subject to assurance might need to fine-tune the sustainability information to be reported, post engagement acceptance. Further guidance on how to treat such modifications on scope would be helpful in managing engagements on both practitioner and auditee side.

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

*(See Explanatory Memorandum Section 1-F, paras. 52-55)*

**Overall response:** [No, with comments below](#)

**Detailed comments (if any):**

The relevant content is enhanced within the FAQ on Materiality document that has been issued by IAASB which clarifies the relationship between entity's sustainability materiality assessment and the assurance engagement. Incorporation of the FAQ into the actual standard would make the standard itself a single source of truth when it comes to sustainability assurance.

*Suitability and Availability of Criteria*

10. Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 56-58)*

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)*

**Overall response:** [No, with comments below](#)

**Detailed comments (if any):**

The relevant content is enhanced within the FAQ on Materiality document that has been issued by IAASB which clarifies the relationship between entity’s materiality assessment and practitioner’s materiality within the sustainability context. Incorporation of the FAQ into the actual standard would make the standard itself a single source of truth when it comes to sustainability assurance.

*Materiality*

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 65-74)*

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

We agree with the proposed approach for “practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures”. However, it is evident that sustainability information and disclosures may include qualitative information subject to interpretation and may rely on professional judgement for assessing materiality for sustainability disclosures. Considering the complexities expected to be faced, we encourage further guidance on this topic to increase transparency in reporting and how to apply professional skepticism to safeguard against risks of inadvertent greenwashing. Illustrative guidance for standardization in formulation of materiality for sustainability disclosures may increase comparability and narrow down the variability of professional judgement.

*Understanding the Entity's System of Internal Control*

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

*(See Explanatory Memorandum Section 1-F, paras. 75-81)*

**Overall response:** [Agree \(with no further comments\)](#)

**Detailed comments (if any):**

*Using the Work of Practitioner's Experts or Other Practitioners*

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

*(See Explanatory Memorandum Section 1-G, paras. 82-87)*

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

*(See Explanatory Memorandum Section 1-G, paras. 88-93)*

**Overall response:** [No, with comments below](#)

**Detailed comments (if any):**

The sources of sustainability information can be diverse and extend outside of the entity's controllable area while sustainability matters can relate to special know-how areas where work of external experts or practitioners need to be utilized. More solid baseline and minimum requirements (including ethical requirements and quality standards with regard to ISQM1) for such work to be used in an assurance engagement would bring clarity and consistency on the implementation and eliminate the judgmental inconsistencies across engagements. This will also provide more clear guidance and direction to the entities who need to obtain assurance/certification/consultancy for different sustainability matters from different professionals.



*Estimates and Forward-Looking Information*

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 94-97)*

**Overall response:** [Agree \(with no further comments\)](#)

**Detailed comments (if any):**

*Risk Procedures for a Limited Assurance Engagement*

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

*(See Explanatory Memorandum Section 1-G, paras. 98-101)*

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

*Groups and “Consolidated” Sustainability Information*

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 102-107)*

**Overall response:** [Disagree, with comments below](#)

**Detailed comments (if any):**

We recommend clarifying the requirements for consolidated sustainability information, especially when it includes sustainability information from value chain (e.g. supply chain, contractors) where the entity does not have a direct control on the information. The methods and minimum requirements for assurance of such information should be set to provide clarity and consistent implementation. Please refer to our response to Question 7.

### *Fraud*

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

*(See Explanatory Memorandum Section 1-G, paras. 108-110)*

**Overall response:** Agree, with comments below

#### **Detailed comments (if any):**

Overall, we agree with the approach adapted for fraud, however we noted that greenwashing is considered within the concept of fraud in exploratory memorandum, yet not defined or described in the standard. We believe that greenwashing should be defined and, while both greenwashing and fraud are unacceptable and should be prevented, that there should be differentiation between fraud and greenwashing. While greenwashing can constitute fraud, activities and disclosures that could be characterized as greenwashing may not always arise from intentional acts involving deception to obtain an unjust or illegal advantage. For example, management judgement, inadvertent bias, lack of know-how, “errors” in the formulation of an entity’s sustainability materiality assessment and other factors may lead to rising greenwashing concerns while not necessarily constituting fraud. Further, the perception of greenwashing may arise from a sincerely held disagreement over values, stakeholder prioritization, competing disclosure regimes, or similar factors. Characterizing a contestable judgment as greenwashing and therefore fraud may undermine disclosure incentives. Fraudulent greenwashing is already captured by the definition of fraud if its elements are met without making all acts characterized as greenwashing fraudulent by definition. Further, a separate definition of greenwashing would help clarify a concept that, if undefined, is particularly contestable.

### *Communication with Those Charged with Governance*

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 111-112)*

**Overall response:** Yes (with no further comments)

#### **Detailed comments (if any):**

*Reporting Requirements and the Assurance Report*

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

*(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)*

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 121-123)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, para. 131)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Other Matters*

24. Are there any public sector considerations that need to be addressed in ED-5000?

*(See Explanatory Memorandum Section 1-I, para. 135)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

25. Are there any other matters you would like to raise in relation to ED-5000?

**Overall response:** [Yes, as further explained below](#)

### Detailed comments (if any):

**Professional requirements for the practitioners:** Currently, there are no recognized certification or professional requirements for auditors / assurance practitioners to exercise assurance engagements on sustainability other than meeting at least as demanding ISQM1 requirements. Considering that professional judgement plays a key role in the assurance process for sustainability which consist of very diverse and technical subject matters, the IAASB may consider establishing base professional requirements for sustainability assurance practitioners to ensure consistency and quality across practitioners and create value added in the output provided.

### Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

**Overall response:** No response

### Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA. If not, what do you propose and why?

**Overall response:** No response

### Detailed comments (if any):