# 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:

    o Respond directly to the questions.

    o 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.

    o 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.

    o 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 Comme**nt" 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) | IAF (International Accreditation Forum) |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above) | Matt Gantley (UKAS) |
| Name(s) of contact(s) for this submission (or leave blank if the same as above) | Cesare Saccani (Diligentia ETS – IAF Sustainability Committee WG02 Convenor) |
| E-mail address(es) of contact(s) | Matt.Gantley@ukas.com ; president@diligentia.it |
| 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. | Global |
| | 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. | Other (if none of the groups above apply to you) |
| | The International Accreditation Forum (IAF) is a worldwide association of accreditation bodies and other bodies interested in conformity assessment in the fields of management systems, products, processes, services, personnel, validation and verification and other similar programmes of conformity assessment. Our primary function is to develop a single worldwide program of conformity assessment which reduces risk for businesses and their customers by assuring them that accredited certificates and validation and verification statements may be relied upon. |
| 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:     Disagree, with comments below**

**Detailed comments (if any):**

The standard has the potential to provide a global baseline for sustainability assurance engagement. However, it will be appropriately scalable and adaptable if it could be developed into neutral language, instead of accounting language. Additionally, it needs to consider widening scope to cover existing mainstreaming international reporting frameworks and assurance standards, such as GRI, ESRS, IFRS, etc. In a word, it needs to jump out the boundary of accounting to a much wider map.

The object of this documents is "sustainability information" therefore the title of ED-5000 should become:

**"General requirements for sustainability information assurance engagements"**

The document needs for consistent improvement.

a)  Suitable criteria for all sustainability topics should be set forth to mitigate the variation of assurance and its outcome by various practitioners and accredited assurance bodies.

b)  The requirements related to the assurance process do not ensure the standardization of the activities for both "limited" and "reasonable" assurance. Without the proper standard, the assurance duration and the assurance cost will vary depended on the various practitioners and accredited assurance bodies, due to the data and information sampling

c)  The document can be applied for use by all assurance practitioners. This definition does not explicitly include independent assurance services providers (IASPs) as required by the CSRD

d)  The document does not specify the approach to manage competence

e)  The document does not specify the requirements established by ISO/IEC 17029 for programs having the scope of sustainability information assurance

**Duration**

The ISSA 5000 does not specify anything about the appropriate duration of engagement nor does it provide criteria of what is material to be considered during the engagement phase.

This might lead to a high potential for competition based on engagement duration and variation in assurance outcome.

It is suggested to clearly specify the criteria for the engagement time, when it is allowed to apply discount or to extend time.

Duration in audit days can be probably too much but it could be also an option especially if based on number of indicators to be checked and limited / reasonable assurance time.

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*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:**      **Click to select from dropdown menu**

**Detailed comments (if any):**

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**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 response**

**Detailed comments (if any):**

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*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 as" is subjective and not clear enough. It would add more clarity and inclusivity to list paralleled global requirements e.g. IAF and ISO requirements on ethical, quality and personnel management. Or alternatively to provide suggestions/guidance for regulators' decision-making.

At present IASPs do not refer to the IESBA code, but they are able to demonstrate compliance  with the 'International Federation of Inspection Agencies – Compliance Code – Third Edition' which is considered

equivalent to 'Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants'. It would be of benefit to list other standards that can be considered equivalent (such as the International Federation of Inspection Agencies – Compliance Code – Third Edition) directly in the ISSA 5000 standard.

IAF has been conducting a gap analysis between IESBA code and ISO 17029 with the ambition to align both requirements.

ED-5000 refers to ISQM 1 and ISQM 2. These may be unfamiliar to IASPs. It would be helpful to provide a cross reference to comparable standards accepted as firm level quality management such as standard for accreditation (ISO/IEC 17029) and for quality management system (ISO 9000).

Further clarity on the management of conflict-of-interest where a firm are both (a) advising and providing assurance of the sustainability information (b) providing IT for and assurance of the sustainability information (c) have provided advisory on historic sustainability information and are providing assurance of current sustainability information. Many IASPs, like many other service providers, deliver advisory, software and assurance services for sustainability information. We observe a variety of combinations of services being delivered by service providers presenting a risk of conflict of interest.

ISSA 5000 presents an opportunity to harmonize approaches to service combinations through provision of a decision tree / matrix demonstrating what combinations are acceptable or low risk versus those that are not / higher risk.

Considering that ISO/IEC 17029:2019 and ISO 14065:2020 have same or higher level to meet the requirements on ethical and management system of ISQM 1 and ISQM2. IAF recommends IAASB to reference these ISO standards as equivalent.

The risks in the market is that, allowing subcontracting part of the assurance process, to external parties the lack of control would be very high and the standard does not specify any internal / external control for this.

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*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)*

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**Overall response:**       **No, with comments below**

**Detailed comments (if any):**

ED 5000 refers to quality management and structure of IAASB standards only and does not connect to any other relevant "standards". For instance, the standard ISO 17029, it is not considered and there is no equivalence recalled in the quality management system

To be professionally agnostic it would be useful to include some equivalence and to open also to the use of the "accreditation" system and therefore to the use of ISO standards by IASPs.

IAF recommends IAASB to introduce the definition of

**IASP (Independent Assurance Service Provider)** means a conformity assessment body accredited in accordance with regulations (e.g. Regulation (EC) No 765/2008 of the European Parliament and of the Council) for the specific scope of sustainability information assurance engagement by a recognized

national accreditation body. This definition is particularly important to reflect the requirements addressed by the European Directive 2022/2464 "CSRD")

> 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:**      **Click to select from dropdown menu**

**Detailed comments (if any):**

> *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):**

While the splitting out of limited and reasonable assurance into tables in sections of the standard is helpful, there is not enough depth of information about the difference between these two levels, in particular with reference to substantial and analytical procedures (126L/ R substantive procedures and 100L/R Analytical procedures and 132 Sampling).

In addition to risk and control evaluation, there is a huge difference between the amount of data that needs to be reviewed for reasonable assurance vs limited. If this difference in work effort is not effectively highlighted, then there is a risk that new assurance providers may conduct reasonable assurance engagements using this standard without sufficient substantive and analytical data review.

IAF recommends IAASB to better specify the difference between to the assurance process to achieve two different levels of assurance by addressing:

     a) the nature and type of controls

     b) criteria for defining sampling methods of controls

to be carried out for an assurance "limited" or "reasonable".

ED-5000 does not adequately address criteria to anchor the type and nature of control to the estimation of the amount of effort to be dedicated during the engagement.

This may result into:

     a) threat to impartiality and independence due to subjectivity in conducting an engagement

     b) difficulty for users to rely on the results of the engagement process

IAF recommends IAASB to specify criteria to determine the quantity of effort required for conducting an engagement activity by taking into consideration for example:

a) the number of material topics to be considered (in accordance with the results of the materiality assessment)

b) the boundary of the organization (one site or multiple sites)

c) the number of internal controls to be considered

The criteria should be segmented and defined for "limited" and "reasonable" assurance

In addition, there should be further focus in the standard on mixed engagements where some sustainability information is subject to reasonable assurance and other to limited assurance.

There should be a logical and clear link between material areas to report for a company and where they are seeking reasonable assurance.

Further consideration should be given to what sustainability information could be subject to reasonable assurance, for example to give reasonable assurance for scope 3 emissions would require much more reliance on data that is not within control of the entity, with more assumptions and may need a future set of procedures applied in order to reach a reasonable assurance conclusion.

The approach to undertaking both limited and reasonable assurance makes no reference to consideration of site visits and where these may be appropriate or required, in particular for reasonable assurance where these may be necessary to a selection of sites, depending on the entity and the sector in which they operate.

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*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)*

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**Overall response:**    **No, with comments below**

**Detailed comments (if any):**

Though ED-5000 has clear requirement of the practitioner to obtain a preliminary knowledge about the sustainability information. The document does not clarify how the engagement leader decide the knowledge of the assurance team is sufficient and appropriate. For example, the sector experience related to particular sustainability matters, when to use an internal or external expert, and the qualification and independency of the roles, how to classify an expert, when it is needed, what skill set they use in the assurance engagement, how to evaluate the quality of their work, what is the difference between an expert and a sustainability practitioner.

It could further highlight the need for sustainability professionals and technical experts, in particular for sectors where there are technology or processes that may be difficult to comprehend without sector specific knowledge. Reference is made in the standards to experts (internal and external) but would benefit from further detail of the circumstances where these experts will be required where the core engagement team do not have this expertise already (expert names, expertise and number of days).

Sustainability information depend on the context. The practitioner is requested to have a good understanding of the business context to properly assess an engagement.

IAF recommends IAASB to add the following bullet points

- The context of the organization

- The specific material topics to be considered

- Topics that the organization has determined as not material and explain why they are not material, particularly when considered in applicable sector standards

- Any Omission and reasons for omission for disclosures and requirements that the organization cannot comply with

<br>

> 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):**

ED-5000 addressed much on "materiality considered or determined by the practitioner", but not "materiality assessment" of the entity or "double materiality". Explanatory Memorandum paras.52-55 could be also addressed by Para. 72(c)), A172.and A179: "Relevance of the Criteria". Yet these parts haven't been connected and aligned in the current drafts.

ED-5000 Paras.52 – 55 does not appropriately address the practitioner's consideration of the entity's "materiality process" to identify topic and aspects of topics to be reported.

In addition, there are different definitions of materiality and only the double materiality is highlighted. This is one of the newest concepts, but a more neutral wording of paragraphs 59 and 60, open to other definitions of materiality, would make the document more inclusive. Not all organizations need to comply with CSRD, so broad the concept. We have GRI, AA1000 Accountability Principles and SASB with their own definition.

The materiality of the client should be part of the assurance engagement if it is part of the scope of the audit. Otherwise, the auditor develops his own materiality study to define the assurance process, and this should be the focus of the ED-5000. Emphasize the importance of the materiality in the engagement, what value it has for the project, how it is to be used and how it is to be performed independently of the client's materiality.

If the client has done a double materiality, good for them. But it does impact the assurance materiality that still need to be performed.

And if the scope of the assurance is just few KPIs, how the materiality impact it? It is not answered in the document.

The materiality is addressed in general way but not helping to really determinate the engagement effort.

IAF recommends IAASB to define an approach to give a clear description of the entity's "materiality process" in the ED-5000, which should cover a process of materiality identification and prioritization including:

   a) Stakeholders' identification and mapping

b) Stakeholders' analysis (consistency, relevance, dependencies, etc.)

c) Suitability of the stakeholders' engagement plan (channels, frequencies, sampling, etc.)

d) Stakeholders' engagement implementation and monitoring

e) Stakeholders' engagement review and analysis of results (it includes the resolution of tradeoffs among different Stakeholders' prioritization on the same material topic)

f) Validation of the material topics prioritization

IAF recommends IAASB to clarify if in ISSA it is suggested to conduct the assurance process only to material topics identified by client OR to all information shared by the organization.

The practitioner should be including the evaluation the entity's "materiality assessment" as part of the scope of the assurance, in order to fulfill the evaluation of "Relevance of the Criteria".

It would also be useful to clarify the deliverable and the specification of the limitation (if applied); especially when ISSA 5000 is applicable in regard to legal requirements the limitation of scope can be having a huge impact on liability (e.g. is it correct in regard to CSRD perimeter to focus only on few material topics even if the company report to more indicators)

It is also crucial to clarify if the engagement covers more than one standard, how the deliverable should look like (integrated, departed etc).

> *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:**     **No, with comments below**

**Detailed comments (if any):**

The criteria used by the entity in preparing the sustainability information depend on their scope and the reference standard used for preparing such information.

ED-5000 specifies a list of criteria that do not correspond to the list of criteria addressed by different sustainability reporting standards./

IAF recommends IAASB to specify the following issues:

1) The practitioner shall evaluate the sustainability information in accordance with the criteria established by the reference standard (For example if the sustainability reporting is prepared in accordance with GRI the criteria to be used shall be those specified in the GRI standard, in the sustainability reporting is prepared in accordance with EFRAG-ESRS the criteria shall be those specified by such standard.

2) The ED-5000 shall provide information regarding the thresholds for determining whether the criteria has been met. (for example how the criteria of "completeness" or "neutrality" or "understandability" can be evaluated according to objective criteria?)

3) The list of criteria in the ISSA 5000 should also include "timeliness".

> 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):**

'Double materiality' is understood in different ways and the ED refers to only one of these in Para A180 as "When the needs of the intended users relate to both the impacts on the entity and the entity's impacts, this can be referred to as double materiality".

ED-5000 does not specify

   a) the time horizon to estimate the impacts (short, medium and long term)

   b) the impacts that are financially material and those that are not.

For example, a company may release treated water into a local river and do so within allowable limits of current regulations and for which there are no specific stakeholder concerns. However, from a biodiversity perspective the effluent may alter the acidity levels of the water resulting in harm to local species and allow invasive fish species to thrive. These two approaches could be presented in a table. Even where an issue is material to investors and to people experiencing that issue, for example the risk of financial returns compared to the loss of wellbeing from rising see levels causing the loss of people's home, the relative importance of these to different users would be different. This would lead to both different assessments of the risk of material misstatement and to different decisions by users.

The focus given is low in this case and don't clarify the methodology expected.

The recommendation is to clarify also when it is acceptable to validate information with longer time horizon also clarifying some exclusion in the "statement".

The value chain information should be considered as part of another reporting. The topic is complex and addressed a proper verification is required.

A specific time and effort need to be spent specifically for the topic (unless the company can prove they have already a strong system in place for supply chain monitoring and the same is verified by a third party with a specific opinion).

> *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:**    **Disagree, with comments below**

**Detailed comments (if any):**

ED-5000 does not specify criteria to be used by practitioners in taking a decision in the following situations:

1) The list of material topics identified by an entity are prioritized in a way that does not corresponds to the actual context.

2) A relevant material topic is omitted by the list of prioritized material topics

Performance materiality (practitioner materiality) - is included in paragraph 17 definitions section, but no link to main explanation in paragraph A283-285. No materiality level is stated, or indication of appropriate level, could include a suggested 5%, and/ or an upper materiality level of 10% (for quantitative data).

A506 - not clear why uncorrected material misstatements would be relevant her as this is for a qualified conclusion. If material misstatements existed, this would be an adverse not a qualified conclusion.

Human judgement of the assessor is not properly highlighted, and there is need for some further guidance on the approach rather than just the situations, in particular for qualitative materiality assessment (ref. A278-281).

It is not clear the benchmarks used for materiality, such as the use of revenue's X%, pre-tax net profit's X% or total asset's X%, under what conditions those benchmarks can be used as benchmarks for assessing materiality?

In addition, if the auditor obtains certain information during the audit process, and if such information will cause it to be materialistic in the audit planning to be different, will it be necessary to adjust and assess the materiality in a timely manner?

IAF recommends IAASB to specify standardized requirements for practitioner to take an appropriate decision in situation of mismatch between the material topics identified and prioritized by an entity and the real context of the entity.

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*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)*

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

**Detailed comments (if any):**

ED-5000 does not consider the alignment and coherence between the internal control system and the results of both the materiality assessment and the exposure to risks.

The control environment should take into consideration such coherence and alignment. For example, if water pollution is the most important material topic and the GHG emissions are not considered a less important material topic then the internal control system should reflect the different in priorities and the practitioner should assign a priority to verify the reliability of the internal control system focused on water pollution rather than the internal control system focused on the GHG emissions.

IAF recommends IAASB to expand paragraph 51 to cover the use of third-party certifications of management systems (for example ISO 14001 environmental management system, ISO 45001 occupational health and safety management system) and product certifications (for example EPD –

environmental product declaration – in compliance with ISO 14025), or other aspects of internal control and the extent to which that certification is a three-party relationship.

> *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:** **No, with comments below**

**Detailed comments (if any):**

The requirement of whether to use another practitioner is clear. The unclear part is "How".

For instance, how to control the risks of conflict of interest, how to manage the assurance quality, how to issue the assurance statement, how to define the accountability of different practitioners?

It would be good to have further detail on what could be relied on from another practitioner, for example would an assurance statement from another practitioner that covers the relevant sustainability information be sufficient for a practitioner to accept?

It is necessary to clarify that joint audits performed by two practitioners are possible. In this case the work of the two practitioners will be used to deliver the assurance service conclusion.

It is important to also clarify whether this refers or includes external consultancies, since IASPs often encounter external consultancies acting on behalf of clients in engagements.

IAF recommends more details to be provided in the guidance document and to align this section of ED-5000 with ISO 17029 7.4 Outsourcing.

> 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):**

ED 5000 does not clarify if the practitioner's technical expert can be a member of the assurance team, and deliver the opinion as assurance team, however, it is depended on such technical expert if she/he would have sufficient knowledge to conduct the judgement for opinions.  In general, technical expert shall deliver the relevant information only to the assurance team.

Not clear why there is a distinction between internal and external expert as the ethical considerations should be the same.  Either and internal or external sector/ industry expert may have bias so this should be made transparent and acknowledged as part of the process.

For industrial activities, IAF highly recommends

1) having in the audit team a person with the experience of the industrial process to be audited.

2) Having on site audits to better capture the industry process risks and impacts

3) applying principle of independence when selecting external expert or another practitioner. This could refer to ISO standards such as ISO 17029.

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*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:** <u>**Neither agree/disagree, but see comments below**</u>

**Detailed comments (if any):**

The approach for estimates and forward-looking data are very different and should be considered separately as approaches with examples of what estimates hierarchy might be appropriate. For example, robust source data can be used for estimates such as proxy data, surrogate data, etc., whereas there will always be inherent uncertainties with forward looking information. (Ref 134L/R)

ED-5000 does not specifies how the confirmation of plausibility of assumptions regarding a plan must be evaluated.

IAF recommends IAASB to require practitioners to evaluate:

    a) the consistency of the objectives and their coherence with the material topics

    b) the suitability of planned actions to achieve the objectives

    c) the availability of resources to provide stakeholders with confidence that an objective is achievable

    d) the risk that one or more action planned shall not be implemented

    e) the approach to monitor the action plan implementation

Furthermore ISSA 5000 does not specifies how to evaluate the likelihood and consequence (gravity, scale, irremediability) of potential events and impacts.

In addition ED-5000 134L-135R listed the detailed approach to the requirement of Estimates and Forward-looking information. However, Para.97 mentioned "*The IAASB also noted that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA in the future.*" We would urge this document to be published with ED-5000.

> *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 comments below**

**Detailed comments (if any):**

ED-5000 only refers to risk, does not refer to opportunities or impact.  In Europe ESRS approach requires review of these three elements: impacts, risks and opportunities.

> *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):**

Where there is a group that has entities with different sector operations, there may will be a need for the entity materiality to be considered for each part of its group rather than at whole group level.  Practitioners should be aware of this as it will feed into the entity materiality review process, and as such this should be covered in the ISSA 5000 standard.

For grouped information, ED-5000's requirement can be applied but more guidance is needed, e. the timing of assurance engagement, sampling requirements of limited and reasonable assurance, etc.

IAF recommend referring to the International Accreditation Forum (IAF) guidance.

In addition, to avoid the risk of greenwashing, IAF recommends IAASB to clarify that the audit firm should take into consideration all best practices in the market (e.g. when checking numbers related to GHG emission there are ISO standards and conformity assessment following ISO 14064/67. These are crucial elements to be asked as prove of reliable processes and data; if the auditor will check few numbers in GHG and confirm the reliability of data, the/ effort spent cannot be compared to what a company did to get ISO 14064/67)

IAF recommends

a)   to align the engagement time also on how much a company can prove external reliable checks (e.g. ISO 14064/67, EPD; other certifications; external control for suppliers etc) so that the effort is comparable and the risk of greenwashing decreases

b) to create a guideline on how to conduct the pre-engagement process and to calculate the effort providing a specific guidance that will guarantee harmonized and comparable approach.

To increase the transparency in the engagement process and to prevent the risk of unfair competition in the market

> *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:** **Disagree, with comments below**

**Detailed comments (if any):**

The definitions of "fraud," and "misrepresentation" are unclear or the related requirements are not clear. Therefore, there is a risk of greenwashing over the assurance, and the practitioners and accredited assurance bodies may overlook the issue.

The standard address extensively on fraud. However, "greenwashing" is a more concealing concept and not all greenwashing are fraud. It might relate to some green claims or marketing activities that the company are not aware of greenwashing.

IAF recommends IAASB

a) to review the definition of "fraud" and "misstatement" and related requirements

b) to provide the practitioners with more detail about misleading statements and the role of the practitioner to identify these.  If it is looking at forward looking information, then it must be achievable.  ED-5000 just refers to systems/ reports, but no reference to product labelling/ reports – all part of the external communication to customers through products/ services.  Boundaries/ completeness of information/ consistency between what is done/ reported.

.

> *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 comments below**

**Detailed comments (if any):**

In principle the requirement is supported but what is stated could be strengthened. Whereas it is a legal requirement in many jurisdictions for auditors to engage directly with a company's board in finalising their audit often the same practices are not observed when it comes to assurance over sustainability information. IAF recommends IAASB to require practitioners to engage members of the governance body and do not rely uniquely rely on their conversations with management.

> *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:** **No, with comments below**

**Detailed comments (if any):**

To enable paras.120 "*require the name of the engagement leader to be included in the assurance report* ", the assurance practitioner shall ensure the engagement leader have the appropriate level of accountability. The concern is that sustainability assurance has far wider scope than financial audit and assurance.

The assurance report shall include what criteria (regarding to para.72 of ED-5000) the practitioner used to evaluate the sustainability information and the overall evaluation result.

> 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:** **Agree (with no further comments)**

**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, with comments below**

**Detailed comments (if any):**

As mentioned in earlier comments, thresholds of limited assurance and reasonable assurance engagement are still quite blurred and complex, which may cause huge variance in practice by different practitioners. Limited Assurance itself extends very wide scope with a lower end and a higher end, which can't be identified by the intended users.

IAF recommends more detailed clarification with quantified guidance.

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:**      **Click to select from dropdown menu**

**Detailed comments (if any):**

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

**Overall response:**      **No other matters to raise**

**Detailed comments (if any):**

Terminology for partner/ firm/ staff is not necessarily profession agnostic.

It is also not clear if subcontractors (exclusive or non-exclusive) count as staff or if they would be an internal or external expert can they be a lead practitioner or member of engagement team member.

Definition (hh) only refers to partners and staff (further defined in (rr)) in firm - this an accounting structure and is not profession agnostic and should be widened to be agnostic and refer to subcontractors who are abiding by all of the firm's processes and procedures (with reference to firm Definition (s)).

Accessibility for wider groups not used to IASSB standards: would benefit from a review of language in the introductory sections with schematics for key parts of the process with links to relevant sections in the standard to make this a more open and inclusive document for a wider range of professionals.

There are areas of repetition that could be removed and clearly cross-referenced to reduce length without reducing content/ intent.  For example, paragraphs 16 and 24 repeat.

Would be beneficial to have the application and other explanatory material section as a separate document, as this is referred to while reading the main document and for ease of reference (ie to be able to view both concurrently) it would be better to have separate documents.

Paragraph 16 & 24 - why is this necessary, contract should allow for any outcome (unqualified, qualified, adverse)

Paragraph 66 - assembly of the engagement file should be done before issue of the assurance report (not in a timely manner after) as complete file needed for engagement quality review. It is important to clarify whether the review should or shall be conducted by an engagement leader or practitioner that is independent from the engagement being reviewed. Some companies have ISO 14065 based GHG verification program that requires project independent review.

170 (j) practitioner signature is required - not clear if this has to be an individual or if this can be the firm brand/ logo.  If individual can it be any member of the engagement team or of the wider firm, or does it need to be the engagement leader?  In the example template reports a different definition is given 'signature in the name of the assurance firm'

Para 171 states engagement leader name should be included, but this is not specified as a requirement in the assurance report content in para 170(j).  In the example statements provided the 'personal name of the

assurance practitioner' stated, which is different from the name of the engagement leader, as practitioner can refer to the firm (according to the definition of practitioner).  A491 refers to reasonable assurance, is this also applicable for limited assurance engagements?

Not clear what happens in the circumstance where a number of different assurance conclusions are included (ref A10) for different topic.  If these are different conclusions, for example one qualified limited and one unqualified reasonable, with different materiality levels applied, can these be included in one assurance report?  If so how should the report be titled? (ref 170 (a) & (c))

A238 - practitioner observation of entity site activities/ site equipment and interview evidence (from entity staff) are not listed as sources of information.

In several areas there is a need for assurance practitioners to make judgements on risk related to sustainability information disclosure. It would seem sensible to include a recommendation for evaluation of the Materiality assessment process, to enable an assurance to be conducted in relation to several of the key principles and to evaluate the risk of omission of information on material issues. The standard-setting action part:

- Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).

ISO standards can add guidance in that part, since ISAE is not specific enough. I should me mention here and specific the reference to improve and standardize the assurance process (how many visits, samples, errors acceptancy). Iso is a bit more specific.

- PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence

It should better set the boundary of each assurance criteria.

- PA.2: The suitability of the reporting criteria, including addressing concepts such as "double materiality". It is clearly CSRD focus, review the language and description. It should be "materiality" solely.

- PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence.

- PA.5: The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence

It is missing the relevance on site visit, in some specific situations where desktop is not enough to confirm the scope, evidence and management process (ISO can be add as a reference)

In addition:

1. ED-5000, referring to control tests, if evidence is obtained in the middle of the period and the conclusions of these control tests are intended to be extended to the remaining period, which the remaining period specified to be at least a few months?

2. ED-5000If only internal control understanding is carried out and no control test is performed, it is intended to obtain evidence through the implementation of substantive procedures.

Whether with limited assurance and reasonable assurance, the work to be performed in relation to the substantive procedures, we recommend more detailed clarification with quantified guidance.

## 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:** **Agree, with comments below**

**Detailed comments (if any):**

It is not clear why to propose an 18-months delay. It should be possible to use ISSA 5000 once it is published on a voluntary basis. If the use of ISSA 5000 is requested by regulations, then effective date will be decided by the same regulation.