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529 Fifth Avenue, 6th floor
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Exposure Draft: Proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements, and Proposed Conforming and Consequential Amendments to Other IAASB Standards

Dear Mr. Botha

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the Exposure Draft, *Proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements, and Proposed Conforming and Consequential Amendments to Other IAASB Standards (ED-5000)*, issued by the International Auditing and Assurance Standard Board (IAASB).

We support the IAASB's issuance of ED-5000 as an overarching standard providing a global baseline for sustainability assurance because extant ISAE 3000 (Revised) may not be fit for purpose given the evolving environment and emerging reporting requirements pertaining to sustainability in various jurisdictions. There is an urgent need for issuance of a comprehensive standard on sustainability assurance considering various jurisdictions are moving towards assurance on sustainability matters and we applaud the IAASB's efforts to issue a comprehensive standard timely.

Although we strongly support ED-5000, we have concerns about the consequences it brings in the form of inconsistencies with the existing assurance standards, both ISAE 3410 and ISAE 3000 (Revised). We believe that the requirements and application material dealing with assurance engagements on GHG statements should be aligned as soon as possible with ED-5000 instead of ISAE 3410 because we do not believe that an engagement to provide a separate conclusion on a GHG statement should be conducted substantially differently than an engagement to report on sustainability information. In addition, we strongly encourage the IAASB to prioritize updating ISAE 3000 (Revised) to incorporate requirements, application material or drafting concepts in ED-5000 that would be beneficial to all assurance engagements as we believe it is in the public interest that ISAE 3000 (Revised) be updated to remain consistent with ED-5000 to avoid diversity between sustainability assurance engagements and other assurance engagements and to ultimately avoid confusion for users.

While we agree with the IAASB's premise that ED-5000 be "profession agnostic", we believe it is necessary for the IAASB to update the *Non-Authoritative Guidance on Applying ISAE 3000 (Revised)* to

Sustainability and Other Extended External Reporting Assurance Engagements (EER guidance) and develop additional implementation guidance, which may be particularly helpful for assurance service providers that are not familiar with the IAASB suite of standards. We believe that the EER guidance contains many useful examples and that it would be difficult to continue using the EER guidance without such revisions because the requirements and vocabulary used in ED-5000 differ significantly from those used in ISAE 3000 (Revised) and the existing EER guidance.

We encourage the IAASB to continue liaising and coordinating with IESBA to foster the development, adoption and implementation of relevant ethical requirements that are interoperable with the assurance standards. We also encourage the IAASB to continue to liaise closely with IESBA, in connection with its sustainability project, to work toward consistent definitions of sustainability information and sustainability matters for use in both sets of standards.

We strongly agree that practitioners that undertake ED-5000 should be required to comply with relevant ethical requirements that are as least as demanding as the *IESBA International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) and comply with professional requirements regarding the firm's responsibility for its system of quality management that are at least as demanding as ISQM 1. The requirements of these international standards are fundamental to serve the public interest and are key to the performance of consistent quality assurance engagements. However, we acknowledge the challenges raised by participants to the IAASB roundtables on ISSA 5000 (e.g., the fact that the IESBA Code and ISQM 1 use concepts that are familiar to accountants, while it may be difficult for persons outside the accounting profession to understand and implement them) that likely face assurance practitioners that are not professional accountants to comply with these requirements. As such, we strongly suggest that the IAASB develop further implementation guidance for non-accountant assurance practitioners that choose to apply ISQM 1 or an equivalent.

While we support the principle-based requirements in ED-5000 on the sustainability information of groups or in other circumstances when 'consolidated' sustainability information is presented by the entity, we do not believe that ED-5000 addresses in detail the challenges for practitioners on multi-location or multi-site engagements, nor the challenges of access and reliability of information related to an entity outside the control of the reporting entity. Although we agree that additional guidance on "group" information can be issued as a separate standard, we strongly suggest that:

- ▶ Certain requirements and guidance be added to ED-5000 before its finalization, including a requirement for the practitioner to perform procedures on the aggregation/consolidation process of sustainability information and further guidance on materiality.
- ▶ The IAASB issue some form of implementation guidance for group engagements concurrent with the effective date of ED-5000. We believe that issuing ED-5000 without any additional implementation guidance for group engagements will create a risk of inconsistent application of ED-5000 for these engagements.
- ▶ The IAASB issue additional implementation guidance describing what is expected to be performed by the practitioner to be able to rely on information that is prepared by other third-party entities outside of the reporting entity's operational boundary and therefore not

subject to the control or oversight of the reporting party's management (e.g., information utilized to calculate scope 3 emissions).

Finally, we believe that additional description is needed in the "Practitioner's responsibility" section of the assurance report about the work performed in a reasonable assurance engagement, as discussed in our response to Q21 below.

Our responses to the specific questions on which the IAASB is seeking feedback are set out below, including our overall response as provided in the IAASB Response Template drop down menu. In addition, please see the Appendix to this letter for additional, proposed drafting clarifications to ED-5000 to aid in the IAASB's finalization of the standard.

Q1. 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).

Agree, with comments below

Generally, we agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements. However, we have concerns with the exclusion of greenhouse gas (GHG) statements from ED-5000 and with the challenges presented by use of ED-5000 by all assurance service providers.

All sustainability topics and aspects of the topics: Assurance on greenhouse gas (GHG) statements should be aligned with ED-5000

We understand that ED-5000, as proposed, does not apply to assurance on GHG statements when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies. To enhance the “implementability” standard-setting characteristic, we believe that the requirements and application material dealing with assurance engagements on GHG statements should be aligned with ED-5000 instead of ISAE 3410.

Although we acknowledge that the revision of ISAE 3410 was not included in the scope of the project proposal to develop ED-5000, we urge the IAASB to revise ISAE 3410 as soon as possible after the issuance of final ISSA 5000. Refer to our response to Q2 for suggestions on updating the standards for assurance engagements providing a conclusion on GHG statements. As further support for the urgency to revise ISAE 3410, some aspects of ISAE 3410, such as the encouragement to exclude scope 3 information from the scope of sustainability assurance engagements, appear obsolete and contradictory with ED-5000 requirements and scope.

Use by all assurance providers: Additional implementation guidance is needed

There is a public interest expectation for ED-5000 to be “profession agnostic”, which means that ED-5000 should be able to be used by both professional accountants and non-accountant assurance practitioners. Professional accountants have the benefit of being familiar with the IAASB suite of standards and existing guidance (such as the EER guidance); however, non-accountant assurance practitioners may need additional guidance to apply ED-5000 consistently due its overarching nature.

As stated in our comment letter dated 11 April 2023 on the IAASB's *Proposed Strategy and Work Plan for 2024-2027*, we encourage the IAASB to develop implementation guidance for ED-5000, including revising the EER guidance to align with ED-5000, as the EER guidance contains many examples that are useful to practitioners, particularly those not as familiar with the assurance standards. We believe that it would be difficult for practitioners to continue using the EER guidance without such revisions because the requirements and vocabulary used in ED-5000 differ significantly from those used in ISAE 3000 (Revised) and the existing EER guidance.

While ED-5000 provides useful distinction between limited and reasonable assurance engagements, we also believe that all practitioners would benefit from implementation guidance to help identify the differences between limited and reasonable assurance engagements and how a practitioner would scale a reasonable assurance sustainability engagement when transitioning from limited to reasonable assurance, which may be common in future years in complying with the requirements in the relevant jurisdictions.

Q2. 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?

Agree, with comments below

Generally, we agree that the proposals in ED-5000 are responsive to the public interest. We believe that the requirements of ED-5000 appropriately customized the requirements of ISAE 3000 (Revised) to apply to sustainability information and were enhanced by aligning to some of the requirements from the ISAs. However, we do have significant concerns with the inconsistencies created between ED-5000 and both ISAE 3410 and ISAE 3000 (Revised), and the confusion this may create for both practitioners and users of the practitioner's reports. We believe these inconsistencies create public interest issues in relation to the existing ISAEs that the IAASB needs to have a plan to address on a timely basis.

Relationship with ISAE 3410

Because paragraph 2 of ED-5000 excludes assurance engagements when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies, ED-5000 does not apply to all sustainability topics or aspects of the topics. Therefore, as mentioned in our response to Q1, to enhance the "implementability" standard-setting characteristic, we believe that the requirements and application material dealing with assurance engagements on GHG statements (ISAE 3410) should be aligned as soon as possible with ED-5000.

With this difference in applicability for GHG statements, there is an important consequence that the standards applied and work effort to be performed by the assurance practitioner on a GHG statement that is included in a broader sustainability report, which also includes information on other topics or aspects of a topic apart from GHG, will be different depending on whether the assurance practitioner is intending to include in the assurance report a separate conclusion on the GHG statement. We believe that this difference in the work effort will be difficult to understand for the reader of the sustainability information and the assurance report thereon. We do not agree that an engagement to provide a separate conclusion on a GHG statement should be conducted substantially differently than an engagement to report on sustainability information.

Additionally, the coexistence of ISAE 3410 and ED-5000 will create the need for practitioners to understand both standards, and the differences between them, for them to be able to perform an engagement on both sustainability information and a GHG statement.

In our comment letter dated 11 April 2023 on the IAASB's *Proposed Strategy and Work Plan for 2024-2027*, we encouraged the IAASB to create an ISSA to address assurance reporting on GHG statements to replace the existing ISAE 3410, as we believe this existing standard should be aligned with ED-5000. We believe updating the standards for assurance engagements providing a conclusion on GHG statements should be done by the IAASB as soon as possible after the finalization of ISSA 5000, either by:

- ▶ Developing a subject specific ISSA incremental to ED-5000 for assurance when providing a separate conclusion on a GHG statement based on ISAE 3410 requirements and application material. This ISSA on GHG statements could be the first topical ISSA supplementing ED-5000, or
- ▶ Including in ED-5000 additional requirements and application material on the procedures to be performed on GHG statements when providing a separate conclusion, based on ISAE 3410 requirements and explanatory material. We believe this would not be detrimental to the overarching nature of ED-5000, as many requirements of extent ISAE 3410 have already been included in ED-5000 and only few requirements of ISAE 3410 have not been included in ED-5000 due to their specific focus on GHG statements.

Regardless of whether a project to revise ISAE 3410 is commenced by the IAASB, we strongly believe that some paragraphs related to scope 3 emissions in ISAE 3410 need to be reconsidered as part of the ED-5000 project considering recent developments in international and regional sustainability reporting standards and assurance requirements. As an example, paragraphs A33 and A34 of ISAE 3410 encourage the practitioner to exclude scope 3 emissions from the scope of the assurance engagement where:

- ▶ Scope 3 information is not managed by the entity or by a well-controlled and accessible source outside the entity
- ▶ The quantification methods in use for scope 3 information are heavily dependent on estimation and lead to a high degree of uncertainty in reported emissions

We do believe that the situations above will be common in practice and believe that the standard should provide other alternatives to the practitioner, rather than excluding scope 3 information from the scope of the assurance engagement. Therefore, we recommend deleting paragraphs A33 and A34 of ISAE 3410 as part of the consequential amendments from the issuance of ED-5000, as their content could be perceived as contradictory with the content of ED-5000, which does cover scope 3 information.

Relationship with ISAE 3000 (Revised)

We strongly encourage the IAASB to make updates to ISAE 3000 (Revised) to align with certain ED-5000 requirements as we believe it is in the public interest that ISAE 3000 (Revised) be updated to remain consistent with ED-5000 to avoid diversity between sustainability assurance engagements and other assurance engagements and to ultimately avoid confusion for users.

As stated in our comment letter dated 11 April 2023 on *the IAASB's Proposed Strategy and Work Plan for 2024-2027*, we believe the IAASB should prioritize updating ISAE 3000 (Revised) to incorporate requirements, application material or drafting concepts in final ISSA 5000 that would be beneficial to all assurance engagements (e.g., requirements from the ISAs that are not sustainability specific, such as the quality management requirements from ISA 220 (Revised) and fraud requirements from ISA 240, enhancements regarding the assessment of the preconditions of an assurance engagement, and engagement team considerations and assessment of practitioner's materiality).

If the IAASB does not undertake this project concurrent with, or shortly after the issuance of ED-5000, we believe there is a risk that the baseline ISAE 3000 (Revised) will be viewed as a "lesser" standard and there will be confusion as to why there are more robust requirements in final ISSA 5000 compared to ISAE 3000 (Revised). As the enhancements would be of a conforming nature, we believe that this revision could benefit from collaboration with National Standard Setters who could help in the drafting process.

Q3. 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?

Neither yes/no, but see comments below

Refer to our response in Q2 to align ISAE 3410 with ED-5000, which we acknowledge will need to be a separate project undertaken by the IAASB. In the meantime, as part of the ED-5000 project, we have the following suggestions related to the consequential amendments to ISAE 3410 that will clarify the applicability of ISAE 3410.

We agree that the applicability of ISAE 3410 is clear in circumstances when a practitioner is providing a separate conclusion on a GHG statement. However, we do not believe the applicability of the standards is clear when the practitioner is performing an assurance engagement that includes GHG information, but that GHG information does not comprise a GHG statement.

To be clear that final ISSA 5000 is to be followed, we suggest striking the last sentence of the proposed consequential amendment to ISAE 3410 paragraph A1, as follows:

- A1. In some cases, the practitioner may perform an assurance engagement on a report that includes GHG information, but that GHG information does not comprise a GHG statement as defined in paragraph 14(m). In such cases, ISSA 5000 applies. ~~However, this ISAE may provide guidance for such an engagement.~~

We do not believe that ED-5000 paragraph 2, on its own, adequately describes the applicability of the standards in situations when a practitioner performs an assurance engagement that includes GHG information, but that GHG information does not comprise a GHG statement. We suggest that paragraph 2 of ED-5000 be revised as follows:

2. This ISSA applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement,

in which case ISAE 3410 applies. [FN omitted] When the practitioner is performing an assurance engagement on a report that includes GHG information, but that GHG information does not comprise a GHG statement, this ISSA applies.

We also suggest revisions to paragraph 8 of ED-5000 to help clarify the applicability:

8. This ISSA applies to assurance engagements for all types of sustainability information, except a greenhouse gas (GHG) statement, regardless of the manner in which that information is presented. ~~Paragraph 2 describes the applicability of this ISSA when the sustainability information includes a greenhouse gas (GHG) statement.~~

In addition, the consequential amendments to ISAE 3410 do not provide guidance for situations when the practitioner's conclusion in an assurance engagement on a GHG statement covers *sustainability information* other than GHG information in addition to the GHG statement. We note that the amendments to ISAE 3410 paragraph 3A cover situations when there is additional information *other than* sustainability information. As such, we suggest the following revision and addition to ISAE 3410 (there are no proposed revisions to paragraph 3A, it is included herein for reference only):

- 3A. The practitioner's conclusion in an assurance engagement on a GHG statement may cover information other than sustainability information in addition to the GHG statement. In such cases, ISAE 3000 (Revised) [FN Omitted] (or another ISAE dealing with a specific underlying subject matter) applies to assurance procedures performed with respect to the remainder of the information covered by the practitioner's conclusion.
- 3B. The practitioner's conclusion in an assurance engagement on a GHG statement may cover sustainability information, which is not GHG information, in addition to the GHG statement. In such cases, ISSA 5000 applies to assurance procedures performed with respect to the remainder of the sustainability information covered by the practitioner's conclusion.

We also believe that additional guidance is needed to understand scenarios for which final ISSA 5000 would apply, especially when sustainability information may be a smaller component of the subject matter information that is subject to limited or reasonable assurance. For example, we suggest that the IAASB provide guidance around whether final ISSA 5000 would be applicable when:

- ▶ The subject matter information contains only one sustainability KPI or few sustainability-related disclosures in a report containing a large amount of subject matter information that is not related to sustainability
- ▶ A practitioner is providing an assurance report on controls (e.g., 50 total controls) and only one control addresses sustainability information.

Q4. 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?

Yes, with comments below

We strongly agree that practitioners that undertake ED-5000 should be required to:

- ▶ Comply with relevant ethical requirements that are at least as demanding as the *IESBA International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code)
- ▶ Comply with professional requirements regarding the firm's responsibility for its system of quality management that are at least as demanding as ISQM 1.

The requirements of these international standards are fundamental to serve the public interest and are key to the performance of quality assurance engagements.

Relevant ethical requirements

We believe that independence and ethics are extremely important in establishing the credibility of the assurance conclusion or opinion. We are aware that IESBA is currently undertaking the development of sustainability-related revisions to the IESBA Code. This project includes the development of ethics and independence standards for implementation and use by all sustainability assurance practitioners (i.e., professional accountants and others performing sustainability assurance engagements).

We encourage the IAASB to continue liaising and coordinating with IESBA to foster the development, adoption and implementation of relevant ethical requirements that are interoperable with the assurance standards.

Quality management

ISQM 1 was developed for "firms", which are defined as "*sole practitioner, partnership of or other entity of professional accountants, or public sector equivalent*" (ISQM 1, paragraph 16 (i)). Therefore, ISQM 1 was not drafted with the intention of being applied by assurance practitioners who are not in the accounting or auditing profession. As such, we suggest that the IAASB make a consequential amendment to ISQM 1, either in the Introduction or as application material, to acknowledge that organizations comprising non-accountant assurance practitioners may choose to apply ISQM 1, and that in these circumstances the reference to "firm" throughout ISQM 1 should be read to apply to their organizations. We believe that this amendment would provide clarification to these organizations that they are permitted to choose to apply ISQM 1 (or a local ISQM equivalent) directly. In addition, we

strongly suggest that the IAASB develop further implementation guidance for non-accountant assurance practitioners that choose to apply ISQM 1 or an equivalent.

“At least as demanding”

We acknowledge that the concept of “at least as demanding,” as stated in Paragraph 25 of the EM, “is not new” and underpins the application of all IAASB pronouncements. We also recognize that the IAASB has a standard-setting responsibility and not an oversight or monitoring responsibility. However, we suggest that the IAASB collaborate with the regulators and oversight bodies that will play a key role in assessing the compliance of assurance practitioners with relevant ethical requirements and quality management standards that are at least as demanding.

In addition, to enhance the ability to apply ED-5000 consistently by all practitioners, we suggest the following:

- ▶ Adding additional application guidance to ED-5000 consistent with ISQM 1 paragraph 18 as we believe this guidance is fundamentally important to understanding and achieving overall compliance with ISQM 1.
- ▶ Clarifying the reference to “professional standards” in paragraph A48 of ED-5000. Our understanding is that this paragraph relates to an established standard (such as a code included in law or regulation) and therefore does not relate to a “self-developed” standard.

Q5. 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?

Yes, with comments below

Generally, we support the definitions of sustainability information and sustainability matters in ED-5000; however, we believe that there may be challenges in applying the definitions to certain matters to determine whether they are sustainability matters (e.g., cyber, GDPR). To avoid inconsistent application, we believe it is important that the IAASB form a view as to whether new or evolving topics on which assurance may be sought fall within the scope of ED-5000. This can be done through implementation guidance but would need to be updated as questions arise.

We also encourage the IAASB to continue to liaise closely with IESBA, in connection with its sustainability project, to work toward compatible definitions of sustainability information and sustainability matters for use in both sets of standards. We suggest that the IAASB include an explanation in the Basis for Conclusions issued with the final standard to clearly explain how the two sets of definitions work together (e.g., that the IAASB definitions are encompassed by the more expansive framework agnostic definition developed by IESBA).

Suggestions to make the definition clearer

To avoid the confusion between the term “disclosures” as used in ED-5000 and “financial statement disclosures” defined or described in financial reporting frameworks (as described in paragraph A16 of

ED-5000), we suggest that the IAASB consider using the term “sustainability disclosures” throughout ED-5000 to clarify the meaning of the term.

We also note that sustainability reporting frameworks may use different terminology (e.g., “sustainability-related financial information” is used in the IFRS Sustainability Disclosure Standards of the ISSB). We encourage the IAASB to explain in paragraph A16 of ED-5000 (or elsewhere in the application material) that frameworks may use different terminology to convey the equivalent of “sustainability disclosures” in ED-5000.

Finally, we suggest that the IAASB provide greater consistency between the definition of sustainability matters and the description of the relationship of the terms in paragraph 2 of Appendix 1 of ED-5000. Because Appendix 1 illustrates that sustainability matters consist of both topics and aspects of topics, we suggest the following revisions to the definition of sustainability matters:

Sustainability matters – Environmental, social, economic and cultural matters, including:

- (i) Topics, such as the impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
- (ii) Aspects of topics, such as the entity's policies, performance, plans, goals and governance relating to such matters.

Q6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

Yes, with comments below

We believe that the relationship between sustainability matters, sustainability information and disclosures described in Appendix 1 of ED-5000 provides a clear overview. The diagram in Appendix 1 is very insightful in showing the relationship, not just between matters and information, but also between topics and aspects of topics.

We suggest that the IAASB provide “real life” examples of the concepts illustrated in Appendix 1, either in Appendix 1 or in updates to the EER guidance, as we believe that this will help in applying these concepts.

Finally, we suggest the following revisions to the diagram in Appendix 1 of ED-5000 for better clarity:

- ▶ Change the term “disclosures” to “sustainability disclosures” throughout the Appendix
- ▶ It is our understanding that the box on the top right of the diagram labeled “Disclosures” is a detailed representation of the box on the bottom left labeled “Sustainability Information”. We propose the following modifications:
 - ▶ Change the arrow extending from the left box to the right to point to the entire right box, not just to “Aspects of topics”

- ▶ Add a footnote below the diagram to indicate that each "X" is a "Sustainability Disclosure"

Q7. 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?

Yes, with comments below

Need for user education and implementation guidance related to limited assurance

We believe that ED-5000 provides a useful distinction between limited and reasonable assurance in terms of procedures and work effort between limited and reasonable assurance for relevant elements of the assurance engagement.

However, we believe there is a need for user education regarding what limited assurance means. We believe there are various interpretations of the level of assurance achieved in a limited assurance engagement due to differences in the extent of work performed by practitioners because of varying interpretations of the standards and how firms have established methodologies based on such interpretations; varying professional experience of practitioners; a lack of understanding of the "range" of limited assurance in IAASB standards, which is explained in the IAASB International Framework for Assurance Engagements paragraphs 15 and 16; and differences in the definition of limited assurance that may exist between the IAASB standards and some jurisdictional standards.

As a result, we see a public interest need to educate users to minimize expectation gaps. We encourage the IAASB to collaborate with other bodies and monitoring group members (e.g., IOSCO) to support users' understanding of these assurance engagements and how to interpret assurance reports.

In addition, we suggest that the IAASB consider developing implementation guidance to illustrate typical procedures for limited assurance sustainability engagements performed under ED-5000 that would provide a minimum baseline of what would be considered a meaningful level of assurance for a limited assurance sustainability engagement. This could be done by building on Appendix 3 of the EER guidance, *Limited and Reasonable Assurance - EER Illustrative Table*.

Additional comment

We believe that further clarification is needed for paragraph 134L(a)(i) which states that the practitioner shall evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information. We note that paragraph 134R does not explicitly include this wording around the practitioner's evaluation of management's application of the requirements of the applicable criteria, although this evaluation is also applicable to reasonable assurance engagements. We therefore suggest the following revision to paragraph 134R of ED-5000 to clarify that the procedures being described relate to the evaluation of management's application of the requirements of the applicable criteria:

134R. In responding to an assessed risk of material misstatement relating to disclosures involving estimates or forward-looking information, the practitioner shall undertake one or more of the following: (Ref: Para. A390-A392)

- (a) Test how management developed the estimate or forward-looking information and the related disclosure(s), and the information on which the estimate or forward-looking information is based. In doing so, the practitioner shall evaluate whether, in the context of the applicable criteria...

Q8. 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?

Yes, with comments below

We believe that ED-5000 is sufficiently clear about the practitioner's responsibility to obtain preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement.

However, we note that some aspects of this preliminary knowledge may be difficult to obtain before the acceptance of the engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. As an example, it may be difficult in these circumstances to obtain a preliminary knowledge of the:

- ▶ Reporting boundaries: For example, the practitioner may understand that reporting boundaries will include value chain information but may not know at this stage the identity of all the entities for which information will be included in the sustainability information.
- ▶ Materiality process: For example, the practitioner may not be able to obtain a detailed understanding of the materiality process that the entity will apply, as this materiality process may still be under development.

We therefore recommend the IAASB include an application material paragraph to explain that some detailed aspects of the scope of the proposed engagement may not be known during the preliminary understanding phase (and provide examples, similar to the examples we have provided above) and that this situation should not preclude the practitioner from accepting the engagement.

Q9. 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?

Yes, with comments below

We believe that ED-5000 appropriately addresses the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported. We also believe that it is important that ED-5000 remain framework neutral in order to be globally operable and adaptable to the different conditions prevalent in different jurisdictions. However, as stated in our response to Q8, some aspects of the preliminary knowledge may be difficult to obtain before the acceptance of the engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. An example of this includes obtaining a detailed understanding of the materiality process that the entity will apply, as this materiality process may still be under development.

We do not believe that the statement made in paragraph 52 of the EM, "*the entity's process to select sustainability matters to be reported may be straightforward (e.g., when the reporting topics are specified by the criteria, such as under law and regulation)*" is correct. Even when the criteria are defined in law and regulation, which will be the situation with ESRS in Europe, how the entity will apply the materiality process will probably not be straightforward, will involve judgment and will be specific to the entity and its activity and organization.

We appreciate the issuance by the IAASB of the FAQs on ED-5000: *The Application of Materiality by the Entity and the Assurance Practitioner*. These FAQs however should be updated to align with final ISSA 5000 when it is issued and the content of the FAQs also should be embedded into the EER Guidance, when revised.

Q10. 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?

Yes, with comments below

Generally, we believe that ED-5000 addresses the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information in an appropriate way. We note that the EER guidance includes additional guidance and examples in Chapter 3, and as suggested in our response to Q1, we encourage the IAASB to update the EER guidance to align its content with ED-5000.

In addition, as many jurisdictions are adopting mandatory frameworks for sustainability reporting, we believe that the first sentence of paragraph A170 of ED-5000 that states "*Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary*" is key. This sentence is consistent with ISAE 3000 (Revised), and we believe that it needs to be retained in final ISSA 5000.

We do have concerns with the clarity of ED-5000 as to the practitioner's responsibility to evaluate the suitability and availability of the applicable criteria (paragraph 72) versus evaluating the entity's process to identify or develop, evaluate and apply the applicable criteria (paragraph 98). We suggest

clarifications to the requirement in paragraph 98, as well as in the supporting application material to both paragraphs 72 and 98, as described below.

For paragraph 98, we do not believe that “policies or procedures” (which are by definition “controls”) is the appropriate terminology for this requirement. We recommend that “policies and procedures” be replaced by “process”.

98. The practitioner shall evaluate whether the entity's ~~process policies or procedures~~ to identify or develop, evaluate the suitability of, and apply the applicable criteria are:...

Further, we believe the IAASB should challenge the application material associated with paragraph 98 of ED-5000. Paragraphs A299 – A301 discuss understanding the applicable criteria and considering the suitability, which we believe would be better aligned with the requirement in ED-5000 paragraph 72. Application material to ED-5000 paragraph 98 needs to be added to explain the practitioner's procedures to evaluate the entity's process. The IAASB should consider application material similar to that included in ED-5000 paragraph A171. However, A171 as written implies that the practitioner only “may consider” the process, whereas we believe the intent of paragraph 98 is to require the practitioner to evaluate the process, and therefore A171 would need to be updated to appropriately align to paragraph 98:

A171. ~~The practitioner may consider~~ In considering the process followed by the entity to identify framework criteria or develop entity-developed criteria, ~~including the practitioner may consider~~ whether that process:,,,

Q11. 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?

Yes, with comments below

We believe that double materiality is addressed in the ED-5000 application material in a framework neutral way, which is a relevant approach for an international standard. However, we do not believe that ED-5000 answers the question, “When the criteria include the “double-materiality” concept, does the practitioner also apply “double materiality” to perform the procedures on the engagement?”. This question could be answered in a Q&A on materiality considerations in sustainability assurance. We noted that page 3 of the *FAQ Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner* provides some explanations (e.g., the concept of “double materiality lens”) that are helpful, and we recommend that it be integrated as application material in ED-5000.

Q12. 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?

Agree, with comments below

We support the approach in ED-5000 for the practitioner to “consider” materiality for qualitative disclosures and “determine materiality” for quantitative disclosure. Because the difference in work effort between “determine” and “consider” may be difficult to understand, especially in translation, we encourage the IAASB, to further explain these terms in the Basis for Conclusions accompanying the final standard or in the application material. The IAASB publication “*Complexity, Understandability, Scalability and Proportionality*” document (CUSP), Appendix 2, provides helpful guidance to understand the difference in work effort and documentation between these two terms.

Performance materiality

We also agree with the need to determine performance materiality for quantitative disclosures as applicable in the circumstances to reduce aggregation risk to an appropriately low level. This approach is consistent with ISAE 3410, as GHG statements include quantitative disclosures.

We suggest that the IAASB clarify in ED-5000 that the determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the practitioner’s understanding of the entity, which is updated during the performance of the risk procedures, and the nature and extent of misstatements identified in previous engagements and thereby the practitioner’s expectations in relation to misstatements in the current period. We suggest developing further guidance on the concept of performance materiality and how such a concept may be applied in sustainability assurance engagement, including considering disclosures both individually and in the aggregate, when considering and applying materiality.

Need of illustrative examples

We believe that illustrative examples would be helpful to demonstrate the requirements of consideration and determination of materiality, including determination of performance materiality. This could be developed in an updated EER publication and other implementation guidance material such as an updated FAQ on materiality.

Q13. 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?

Agree, with comments below

Understanding components of the entity’s system of internal control

Generally, we agree with the differentiation for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements. However, we do not believe it is appropriate to require an understanding of the components of the entity’s system of internal control relevant to sustainability matters, as this goes beyond what is required in ISA 315 (Revised 2019) (paragraphs 21-25) to understand the components “relevant to the preparation of the financial statements.” That is, the scope should be an understanding relevant to the preparation of the

sustainability information. In addition, we do not believe it is practical to require an understanding of the entity's system of internal control relevant to detailed sustainability matters (i.e., topics and aspects of topics). Therefore, we suggest the words "sustainability matters" be deleted from paragraphs 102L and 102R of ED-5000, as well as from the related application material (e.g., paragraph A312).

Responding to risks of material misstatement

In addition to our comment related to the understanding the entity's system of internal control, we believe the differentiation between reasonable and limited assurance engagements requires clarification in certain requirements related to responding to risks of material misstatement.

Overall responses

We do not believe the requirements in ED-5000 in paragraph 116L and 116R that address designing and implementing overall responses are appropriate or consistent with ISA 330 paragraph 5 or ISAE 3410 paragraphs 37L and 37R. These standards require the design and implementation of overall responses to address the assessed risks of material misstatement, not to address circumstances when a risk has materialized into an identified control deficiency, fraud, or material misstatement. Once a risk has materialized, the practitioner is required to respond to the instance that has arisen.

Because the practitioner is not required to identify risks of material misstatement in a limited assurance engagement, we do not believe a practitioner should be required to design and implement overall responses to address the risks of material misstatement for limited assurance engagements in ED-5000.

Furthermore, for reasonable assurance engagements, we believe ED-5000 already includes requirements for identified instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations (see ED-5000 paragraphs 117 -118) and identified misstatements (see ED-5000 137-139).

Therefore, we suggest that:

- ▶ Paragraph 116L be deleted in its entirety;
- ▶ Paragraph 116R(b) be deleted; and
- ▶ The related application material (e.g., A367 second bullet point) be revised.

We also suggest that paragraphs 117-118 of ED-5000 addressing identified instances of fraud or non-compliance be moved out from under the "Overall Responses" sub-heading, as we do not believe these procedures are overall responses to risks. We suggest these requirements be moved to follow paragraphs 59-61 to group all the fraud and non-compliance with law or regulation requirements together (consistent with the grouping of requirements for using the work of a practitioner's external expert, using the work of another practitioner and using the work of the internal audit function).

Substantive procedures

Although we understand that the requirements in ED-5000 paragraphs 126R and 127R are attempting to mirror the requirements in ISA 330 paragraphs 21 and 18 to perform substantive procedures for “significant risks” and for “material” disclosures, we do not believe these requirements are understandable as drafted, even for experienced auditors familiar with the ISAs. We believe that implementation of these requirements without the introduction of the terms “significant risk” and “material disclosure” in ED-5000 is a primary reason for the lack of clarity. We have the following comments and recommendations:

- ▶ Paragraph 126R of ED-5000 requires “the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement at the assertion level. Those further procedures shall include substantive procedures that are responsive to each risk for which the assessment of that risk is close to the upper end of the spectrum of risk”. This requirement assumes that “each risk” is assessed, which is not consistent with paragraph 110R of ED-5000, which requires risk assessment at the assertion level. We believe that 110R provides flexibility (like ISA 315 (Revised 2019)) to allow for assessment for each risk or for each relevant assertion. It would be more understandable to introduce the concept of a “significant risk” in ED-5000, define them as risks close to upper end of the spectrum of risk and add a requirement to determine them. We believe this would help clarify the overly technical language in the requirement and avoid the impression that each risk must be assessed individually.
- ▶ We do not believe the intention of paragraph 127R of ED-5000 is clear. Because paragraph 114R of ED-5000 requires the practitioner to design and perform further procedures, and further procedures are defined in paragraph 17(u) of ED-5000 as including tests of controls and substantive procedures, we believe the requirement is intended to address disclosures for which a risk of material misstatement has not been identified but are nonetheless important to intended users. Under this assumption, we suggest the following revision to 127R (with revisions to the related application material to align):

127R. ~~Irrespective of the assessed risks of material misstatement, the practitioner shall consider the need to design and perform substantive procedures for~~ For disclosures that, in the practitioner’s judgment, are important to the information needs of intended users, but for which no risks of material misstatement have been identified, the practitioner shall perform substantive procedures. (Ref: Para. A376R)

- ▶ We do not believe the guidance in paragraph A376R of ED-5000 is correct, as it describes a disclosure that may be important to intended users as one “for which, if a misstatement were to occur, there is a reasonable possibility of the statement being material”. If there were such a risk, it would be a risk of material misstatement. If the intention of paragraph 127R is to address disclosures for which no risks of material misstatement have been identified, this guidance is inconsistent with that intention.

Q14. 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?

Yes, with comments below

While we generally agree that it is clear in ED-5000 when a firm(s) and the individuals from that firm(s) are members of the engagement team are "another practitioner" and not members of the engagement team, we believe there needs to be some clarifications in ED-5000 for practitioners to be able to implement these requirements consistently and suggest the following revisions:

- ▶ We strongly suggest that the IAASB adds a definition for the term "another practitioner" to paragraph 17 of ED-5000. The definition could be based on the descriptions included in paragraphs A22 and A91 of ED-5000:

A22...As explained in paragraph A91, when another firm performs assurance work and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed that assurance work are not members of the engagement team and are referred to in this ISSA as "another practitioner."...

A91....In such circumstances, when the practitioner nevertheless considers that the work of that other firm is relevant to the practitioner's assurance engagement and intends to use that work, that firm is another practitioner as explained in paragraph A22, and the requirements in paragraphs 51-54 apply.

Proposed definition based on the paragraphs from ED-5000 above:

Another practitioner: The individuals of a firm other than the practitioner's firm (or as applicable a firm other than the practitioner's firm) when:

- The practitioner considers that the work of that other firm is relevant to the practitioner's assurance engagement and intends to use that work, and
- The practitioner is unable to direct, supervise and review that work

- ▶ For consistency with the requirements in ISA 220 (Revised) paragraph 26 and 27 that require determination of the sufficiency and appropriateness of all resources assigned or made available to the engagement, whether they are part of the engagement team or not, we suggest the following revision to paragraph 41 of ED-5000:

41. The engagement leader shall determine that members of the engagement team, and any practitioner's external experts or "another practitioner", collectively have the appropriate sustainability competence, competence and capabilities in assurance skills and techniques, and sufficient time, to perform the engagement.

- ▶ We do not believe the requirement in paragraph 42 of ED-5000 is appropriate when considering the use of a practitioner's expert or "another practitioner." ISA 220 (Revised) paragraph A30 clearly ties the responsibility to be "sufficiently and appropriately involved" to the direction, supervision and review of engagement team members.

Because neither a practitioner's expert nor "another practitioner" are part of the engagement team, the engagement leader is not required to direct, supervise or review their work. Furthermore, ED-5000 describes another practitioner as an individual for which the practitioner is unable to direct, supervise and review the work. Therefore, the engagement leader will not be able to be "sufficiently and appropriately involved" in their work.

Based on the above, and because there are no requirements in ISAE 3000 (Revised), ISA 220 (Revised) or ISA 620 that require the engagement leader (or engagement partner) to be "sufficiently and appropriately" involved in the work of a practitioner's expert or "another practitioner", we suggest that paragraph 42 of ED-5000 be revised to better align the requirement with the practitioners need to determine their ability to be able to direct, supervise and review the work of a firm other than the practitioner's firm. This suggested revision will also improve alignment with the application material in A90-A91 of ED-5000.

42. If the practitioner intends to use the work of ~~a practitioner's external expert or a~~ firm other than the practitioner's firm, the engagement leader shall determine whether the practitioner will be able to direct, supervise and review ~~be sufficiently and appropriately involved in~~ such work. (Ref: Para. ~~A87~~ A89 - A91)

In addition, we suggest that paragraph A87 of ED-5000 be deleted as we do not believe the second sentence is correct because a practitioner's expert is not a member of the engagement team.

~~A87. Paragraph 30 requires the engagement leader to be sufficiently and appropriately involved throughout the engagement. Such involvement extends to using the work of a practitioner's external expert.~~

- ▶ It is our understanding that the requirements in paragraphs 51-54 of ED-5000 are intended to be applicable for both circumstances explained in paragraphs A89 and A91 of ED-5000:
 - Using another practitioner's work that has already been completed as audit evidence
 - Using the work of another practitioner that has not yet been performed, but the practitioner is unable to direct, supervise and review the work to be performed by another practitioner (whether the engagement leader has requested that another practitioner perform the work or not).

We do not believe the requirements in paragraphs 51-54 of ED-5000 adequately consider or differentiate between the two different circumstances in which a practitioner may use "another practitioner." We believe that paragraphs 51(c)-(d) and A121 imply that the requirements are

only applicable in situations when another practitioner's completed engagement is used as audit evidence.

Because many sustainability assurance engagements could be group engagements, we suggest that the IAASB provide clear requirements and application material to address situations when the practitioner has requested or is using the work of "another practitioner" that has not yet been performed, but the practitioner is not able to direct, supervise and review the work.

In addition, we suggest that the IAASB add application material to explicitly address circumstances when a practitioner is using another practitioner's completed report as evidence and that report is issued in accordance with ISAEs, ISSAs or equivalent assurance standards. We believe, in this circumstance, that the practitioner should be able to rely on the completed report to be satisfied that the "another practitioner" is independent, as required by paragraphs 51(a) and 51(b) of ED-5000.

- ▶ If our suggestion above to officially define "another practitioner" is not taken, we suggest the following revisions to make it clear that these requirements (paragraphs 51-54) only apply when the practitioner from another firm is not part of the engagement team:

Using the Work of Another Practitioner Not Part of the Engagement Team

51. If the practitioner intends to use the work of another practitioner who is not part of the engagement team, the practitioner shall: (Ref: Para. A117-A118)

A117. In planning and performing the engagement, the practitioner may intend to use the work of another practitioner who is not part of the engagement team because the practitioner cannot direct, supervise and review their work.

- ▶ We believe the similarities in wording between "other practitioner" and "another practitioner" may be difficult to translate. Some sentences are also difficult to read due to the number of times the terms "another practitioner", "other practitioner" and "practitioner" are mentioned. For example, paragraph A119 uses "another practitioner" five times, "other practitioner" twice and "practitioner" twice. We suggest that the IAASB review ED-5000 and use the defined term "another practitioner" consistently throughout.

Q15. 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?

Yes, with comments below

Refer to our response to Q14 regarding the use of the work of another practitioner.

We believe that ED-5000 contains clear requirements relating to using the work of a practitioner's external expert. We encourage the IAASB to continue liaising with IESBA during the development of their project on "the use of experts".

Q16. 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?

Agree, with comments below

Generally, we agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information. However, we suggest the following revisions to the standard:

- ▶ As mentioned in our response to Q7, we believe that the requirement in 134L(a)(i) of ED-5000 should also be included in paragraph 134R (to evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information).
- ▶ We believe the application of paragraph 134R of ED-5000 could be very challenging for practitioners as it will involve evaluation of various scenarios. Additional guidance is needed related to procedures and testing of estimates and forward-looking information. We recommend that relevant guidance from the Chapter 11: *Addressing Future-Oriented EER Information* of the EER guidance is included in ED-5000. We also recommend aligning the vocabulary used in the EER guidance with the vocabulary used in ED-5000 ("forward-looking" vs "future-oriented information").
- ▶ Since the estimates and forward-looking information will be based on forecasts, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information. This could be done by adding, when relevant, an additional paragraph in the "practitioner's responsibility" section. ED-5000 could also encourage the practitioner to include "additional information" in the assurance report on forward-looking information (as suggested in paragraph A490 (a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to paragraph A499).

Q17. 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?

Yes, with comment below

Yes, we 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 because we agree in a limited assurance engagement it is not necessary to identify and assess risks of material misstatement. However, we do have concerns with

how engagement risk and risk of material misstatement is described in ED-5000 for reasonable assurance engagements. We do not believe these descriptions are consistent with the auditing standards (refer to ISA 200 paragraphs 13(c), 13(n) and A16).

We acknowledge that paragraph A20 of ED-5000 describes engagement risk as comprised of inherent risk, control risk, and detection risk, with which we agree. However, we believe ED-5000 also needs to make it clear that the risk of material misstatement is also comprised of inherent risk and control risk. We suggest the follow addition to ED-5000:

Engagement Risk and Risk of Material Misstatement (Ref: Para. 17(l) and 17(pp))

A20A. Risk of material misstatement consists of inherent risk and control risk at the assertion level. For the purposes of the ISSAs, a risk of material misstatement exists when there is a reasonable possibility of:
(a) A misstatement occurring (i.e., its likelihood); and
(b) Being material if it were to occur (i.e., its magnitude)

Q 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?

Disagree, with comments below

While we support the principles-based requirements in ED 5000 on the sustainability information of groups or in other circumstances when ‘consolidated’ sustainability information is presented by the entity, we do not believe that ED-5000 addresses in detail the challenges for practitioners on multi-location or multi-site engagements, nor the challenges of access and reliability of information related to an entity outside the control of the reporting entity.

We believe that the IAASB should add certain additional requirements and guidance to ED-5000 for group engagements, including:

- ▶ Guidance related to materiality in group situations (e.g., group materiality and allocation among components).
- ▶ A requirement for the practitioner to perform procedures on the aggregation/consolidation process of sustainability information when this information is coming from several locations or sites (i.e., multi-location engagements). We suggest that ED-5000 should build on the requirements in paragraphs 38-39 of ISA 600 (Revised), adapted as necessary for sustainability information.
- ▶ Guidance on situations where there may be restrictions on access to information on people, building on the application material in ISA 600 (Revised) paragraph A38 to A44.

- ▶ Guidance stating that when a practitioner has used the work of “another practitioner”, the assurance report shall not refer to the “another practitioner” (consistent with the requirement in paragraph 53 of ISA 600 (Revised)).

In addition to the above suggestions to be made to ED-5000 now, we agree that additional guidance on “group” information can be issued as a separate standard, as suggested in paragraph 107 of the EM. We believe that many concepts and requirements of ISA 600 (Revised) may not necessarily be relevant and practicable in sustainability assurance engagements, and therefore developing a specific standard will require further consultation with practitioners to understand the challenges and the potential solutions. As an example, the use of the work of “another practitioner” not being a member of the engagement team is not contemplated by ISA 600 (Revised).

Therefore, given the amount of time it may take to develop and issue a separate standard for group engagements, we strongly suggest that the IAASB issue some form of implementation guidance for group engagements concurrent with the effective date of final ISSA 5000. We believe that issuing final ISSA 5000 without any additional implementation guidance for group engagements will create a risk of inconsistent application of final ISSA 5000 for these engagements.

We also believe that additional implementation guidance is needed describing what is expected to be performed by the practitioner to be able to rely on information that is prepared by other third-party entities outside of the reporting entity’s operational boundary and therefore not subject to the control or oversight of the reporting party’s management (e.g., information utilized to calculate scope 3 emissions).

Alignment of terminology on groups in sustainability assurance engagements between ED-5000 and IESBA Code

We note that Agenda Item 4-E of IESBA’s September 2023 meeting provides draft definitions for various group engagement terms (such as “another practitioner”, “component” (for a group sustainability assurance engagement), “component sustainability assurance client”, “component sustainability assurance firm”, “group engagement leader”, “group sustainability assurance client”, “group sustainability assurance engagement”, “group sustainability assurance firm”, “group sustainability assurance team”, “group sustainability information”, “key sustainability assurance leader”, and “reporting boundaries”).

We acknowledge the difference in timelines between the IAASB and the IESBA projects, as IESBA plans to approve the issuance of its exposure draft in December 2023 when ED-5000 exposure period will have ended. While we believe that it is very important that ED-5000 is finalized before the end of 2024, we also believe it is very important that vocabulary and definitions are aligned between ED-5000 and the IESBA Code for the terms relating to sustainability assurance. This alignment is key to help practitioners assess if the independence and ethics rules they apply are “at least as demanding” as the IESBA Code. Therefore, we continue to encourage the IAASB to coordinate closely with IESBA.

Q19. 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?

Agree, with comments below

We believe that the topic of fraud is appropriately addressed in ED-5000.

We note that the word “greenwashing” is not used in ED-5000 and agree that it is not appropriate to refer to “greenwashing” as this term may have different and evolving legal definitions in various jurisdictions. In addition, “greenwashing” tends to focus on environmental matters only, while there could also be other matters of focus such as “socialwashing” and “impactwashing”. We also encourage the IAASB to continue to liaise with IESBA about the term that may be retained in the IESBA Code to deal with “greenwashing”.

We suggest that the IAASB consider including guidance in ED-5000 on how a practitioner should identify and/or respond to fraud risk for the information coming from value chain entities.

The EM refers to the importance of continued coordination with IESBA on the topics of fraud and non-compliance with laws and regulations. We note that IESBA has issued a Staff Question & Answers *Ethics Considerations in Sustainability Reporting Including Guidance to Address Concerns About Greenwashing* that may be used to develop additional guidance on the application of ED-5000.

Consistent with our response to Q13, we suggest that the IAASB provide a clearer linkage between paragraphs 59-61 of ED-5000 (fraud and non-compliance with law or regulation as part of engagement level quality management) and paragraphs 117 and 118 of ED-5000 by moving paragraphs 117 and 118 to follow paragraphs 59-61.

Q20. 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?

Yes, with comments below

We support the high-level requirement in ED-5000 regarding communications, with the related application material because there are many different criteria for sustainability reporting and many different regulatory requirements in various jurisdictions. Sustainability assurance engagements may relate to a single disclosure at a point in time or to a “full” annual sustainability report covering sustainability, social and governance topics. In addition, laws and regulations may prescribe timing and content of communication with those charged with governance.

However, we note that ISA 260 (Revised) paragraph 16(d) requires communication with those charged with governance of circumstances that affect the form and content of the auditor’s report, if any. We suggest that the IAASB add an equivalent consideration to the application material to paragraph 62 of ED-5000 (i.e., paragraph A137).

Q21. 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.

Yes, with comments below

We believe that ED-5000 provides the necessary requirements for the content of the assurance report, building upon ISAE 3000 (Revised), ISAE 3410, the EER guidance and the recent developments in ISA 700 (Revised), ISA 701 and ISA 720 (Revised).

Estimates and forward-looking information

As stated in our response to Q16, because the estimates and forward-looking information included in sustainability information will be based on forecast, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information. This could be done by adding, when relevant, an additional paragraph in the “practitioner’s responsibility” section of the report. ED-5000 could also encourage the practitioner to include “additional information” in the assurance report on forward-looking information (as suggested in Paragraph A490(a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to Paragraph A499).

Other information

We have concerns with how the “other information” section of the report could be drafted and understood by the reader of the assurance report when the practitioner is also the auditor of the financial statements of the entity and both financial statements and sustainability report are included in the entity’s annual report. We encourage the IAASB to address that situation in the application material to ED-5000 or in accompanying guidance.

Description of work performed in reasonable assurance reports

The required basic elements for a reasonable assurance report in ED-5000 does not include a mandatory section containing an informative summary of work performed as the basis for the practitioner’s conclusion, while such a section is required in limited assurance reports (paragraph 170(i)). We believe that additional description is needed in reasonable assurance reports about the work that has been performed by the practitioner. As also explained in our response to Q22, this may help avoid the misperception that a limited assurance engagement involves more work or a higher level of assurance than a reasonable assurance engagement. We therefore suggest that the “Practitioner’s responsibility” section be further developed with additional descriptions about the work performed in a reasonable assurance engagement considering applicable language from *Illustration 1: Unmodified Reasonable Assurance Report* of the EER guidance and requirements in ISA 700 (Revised).

Q22. 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?

Agree, with comments below

We agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability engagement, and instead having the IAASB consider addressing this in a future ISSA because we believe further outreach by the IAASB and input from stakeholders is needed to determine whether a concept of “key audit matters” is the appropriate direction to address information needs of users related to the assurance work performed. We believe that the following perspectives should be considered in the IAASB’s information gathering.

ED-5000 (Paragraph 170 (i)) requires limited assurance reports to include *“a section with the heading “Summary of Work Performed” that contains an informative summary of the work performed as a basis for the practitioner’s conclusion. This section shall describe the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited assurance the practitioner has obtained.”*

Consequently, a limited assurance report is in “long form” containing information specific to the assurance engagement, while a reasonable assurance report does not include this section and includes only “boilerplate” information. It may appear counterintuitive that the reader of a reasonable assurance report obtains less details on the work performed on the engagement than the reader of a limited assurance report.

As an illustration, an academic research paper¹ published in June 2023 has concluded that, *‘when sustainability and financial information assurance reports are presented separately, participants perceive the sustainability performance information to be more credible and make higher investments judgments with limited as opposed to reasonable assurance (...) A possible reason for this result is that the limited sustainability assurance report used in our study presented a more explicit description of the nature and scope of work performed than did the reasonable assurance report, consistent with the recommendations outlined in IAASB (2021). However, a follow-up study shows that even when the language used in the nature and scope of the work section in the limited and reasonable assurance reports is similar, investors still made higher sustainability information credibility and investment desirability judgment with the limited assurance report.’*

To address possible misconceptions by users of assurance reports, exploring the mechanism of “Key sustainability assurance matters” in reasonable assurance reports is worth considering. However, we believe this mechanism, if applied, should be consistent with the concept of “key audit matters” in an

¹ *The influence of sustainability assurance report format and level on nonprofessional investors’ judgments*, William Dilla, Diane Janvrin and Jon Perkins (Iowa State University) and Robyn Raschke (University of Nevada at Las Vegas).

audit, including that it applies to reasonable assurance engagement reports of general purpose² sustainability information of listed entities.

Mirroring the requirements in ISA 701, “key sustainability assurance matters” could:

- ▶ Bridge the gap between the informative value of a limited assurance report and a reasonable assurance report
- ▶ Provide consistency between the auditor’s report and the sustainability assurance report for the same listed entity, as both reports are often included in the same annual report.

Q23. 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?

Yes, with comments below

We are supportive of the explanation in the basis of conclusion section of the assurance report signifying that the scope and nature of work performed in a limited assurance engagement is substantially less than for a reasonable assurance engagement.

Q24. Are there any public sector considerations that need to be addressed in ED-5000?

Yes, with comment below

A public sector entity may be involved in operations of a nature that may have a significant impact on the environment. The information about the operations of these entities may not be disclosed due to confidentiality. The IAASB could consider including some guidance in ED-5000 to assist practitioners in dealing with these situations. Also, we propose that the IAASB liaise with IPSASB on how best to address implementation challenges for ED-5000 due to confidentiality obligations.

Q25. Are there any other matters you would like to raise in relation to ED-5000?

Yes, as further explained below

We have the following additional comments and suggested revisions to ED-5000 for the IAASB’s consideration. In addition, please see the Appendix to this letter for additional suggested editorial clarifications to ED-5000 to aid in the IAASB’s finalization of the standard.

- ▶ Throughout ED-5000 the term “procedures” is used, which can be understood to be a generic term rather than be inclusive of risk procedures, further Procedures and substantive procedures. We

² The concept of “general purpose” sustainability information would have to be defined. The concept of “general purpose financial statements” is defined in ISA 700 (Revised).

suggest that the IAASB use the term “assurance procedures” throughout the standard instead of just “procedures” for clarity and consistency with the use of “audit procedures” throughout the ISAs and add an explanation or definition of the term “assurance procedures” in the standard.

This clarification is especially important in the definition of “engagement team” and the guidance in paragraph A22 of ED-5000. Paragraph A22 states that individuals who perform procedures on the engagement are part of the engagement team; however, it is not clear what work is considered “procedures” in this definition. In our view, using and explaining or defining the term “assurance procedures” as suggested above would enable a practitioner to appropriately determine which individuals form part of the “engagement team.”

► Paragraph 17(p)

We suggest the following revisions to paragraph 17(p):

- (p) Engagement team – The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner’s external expert, “another practitioner” and internal auditors who provide direct assistance on the engagement. (Ref: Para. A22)

The “Engagement team” definition in ISA 220 paragraph 7(d) explicitly excludes internal auditors who provide direct assistance on the engagement from the “engagement team” and we believe it is appropriate to explicitly exclude such individuals from the definition of the engagement team in sustainability assurance engagements as such individuals are used in practice in some jurisdictions for sustainability assurance engagements.

Similarly, we believe that the explicit exclusion of “another practitioner” from the “engagement team” is also necessary as these individuals are described in the standard as not being a part of the engagement team (refer also to our comment in response to Q14).

► Paragraphs 49, 50 and A22

Paragraphs 49 and 50 of ED-5000 provide requirements (and related application material) when a practitioner is using an external expert. Paragraph A22 of ED-5000 explicitly states that an internal expert is part of the engagement team; therefore, the requirements in ED-5000 for the engagement team also apply to an internal expert. However, given there are incremental requirements in ISA 620 applicable to internal experts, we ask the IAASB to consider whether applicable requirements from ISA 620 for internal experts should be added to ED-5000.

► Paragraphs 69 to 81

We suggest that the IAASB challenge the flow of the standard, specifically as to whether it is appropriate to include requirements related to engagement-level quality management (paragraphs 30–58), fraud and non-compliance with law or regulation (paragraphs 59–61), communication with management, those charged with governance and others (paragraph 62) and documentation

(paragraphs 63-68) *before* the requirements for preconditions for an assurance engagement (paragraphs 69-77) and the terms of the assurance engagement (paragraphs 78-81).

We note that ISA 210 is placed at the beginning of the ISAs, and in our view, the requirements and guidance related to preconditions for an assurance engagement and terms of the assurance engagement should precede the other sections listed in the paragraph above.

▶ Paragraph 83

We note that paragraph 83 of ED-5000 is consistent with extant ISA 500 paragraph 7, except that the action required by the practitioner was changed to “evaluate” instead of “consider”. We feel that “evaluate” is a high work effort related to relevance and reliability of information intended to be used as evidence for information obtained from sources external to the entity and suggest that ED-5000 remain consistent with extant ISA 500 paragraph 7 and be revised to use “consider”.

▶ Paragraph 93

Paragraph 93 requires documentation of:

The factors relevant to the practitioner’s consideration of materiality for qualitative disclosures, and the determination of materiality for quantitative disclosures, in accordance with paragraph 91;...

We believe it is unclear what is meant by “the factors relevant to the practitioner’s consideration of materiality for qualitative disclosures.” We suggest that the IAASB provide clarity in the form of application material and examples as to what type of factors need to be documented.

▶ Paragraph 97

We suggest the following revisions to better align this requirement with the requirement in ISA 315 paragraph 19(c), which requires auditors to obtain an understanding of “how inherent risk factors affect susceptibility of assertions to misstatement...”:

97. The practitioner shall obtain an understanding of the sustainability matters and the sustainability information including ~~the characteristics of how~~ events or conditions ~~that~~ could give rise to material misstatement of the disclosures.

▶ Paragraph 99(c) and A306

Paragraphs 99(c) and A306 refer to the measures used in assessing the entity’s performance or determining management compensation. We believe that the effect of these matters would be related to the sustainability matters, which then can affect the sustainability information. As such, we propose the following revisions:

99(c). Goals, targets, or strategic objectives related to ~~the sustainability information matters~~ and measures used to assess the entity's performance or determine management compensation. (Ref: Para. A306)

A306. Understanding goals, targets, or strategic objectives related to ~~the sustainability information matters~~ and measures used to assess the entity's performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

▶ Paragraph 107R(c)

We suggest the following revisions for consistency with the wording used in ISA 315 paragraph 26(a)(iv):

107R(c). Other controls that the practitioner ~~judges considers~~ are ~~necessary~~ appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks.

▶ Paragraph 108L(a) and A340

We suggest the following revisions:

108L. The practitioner shall obtain an understanding of each control identified in accordance with paragraph 107L by: (Ref: Para. A340-A342, A344-A345)

- (a) Evaluating whether the control is designed effectively, ~~to accomplish the control objective individually or in combination with other controls, to prevent, or detect and correct material misstatement,~~ or effectively designed to support the operation of other controls; and...

We believe that expanding the description of "control objective" in this requirement to include the same wording as in paragraph A340 would better inform a user's understanding of the requirement and alleviate the problem that "control objective" is not a defined term in ED-5000.

▶ Paragraph 110R

We suggest the following revisions to clarify the requirement to assess risks of material misstatement:

110R. The practitioner shall identify and assess risks of material misstatement at the assertion level for the disclosures. In assessing risks of material misstatement, the practitioner shall:

- (a) Consider the likelihood of material misstatement due to the characteristics of the disclosure; and
(b) Consider the potential magnitude of the misstatement.

▶ Paragraph 121

In paragraph 121, the remaining period from an interim date at which the interim testing is performed to the year-end is described as “the period subsequent to the interim period.” This period is described as “intervening period” in paragraphs 22 and A57 of ISA 330, and as such, we suggest the following revisions for consistency:

121. If the practitioner obtains evidence about the operating effectiveness of controls during an interim period and intends to extend the conclusions of those tests of controls for the remaining period, the practitioner shall obtain evidence about the operating effectiveness of those controls for the intervening period ~~subsequent to the interim period~~.

▶ Paragraph 129

We suggest the following revisions for clarity and consistency with our suggested revisions in paragraph 121:

129. If substantive procedures are performed at an interim date...

- (a) Substantive procedures, combined with tests of controls for the intervening period ~~subsequent to the interim period~~; or
- (b) If the practitioner determines that it is sufficient, further substantive procedures only, that provide a reasonable basis for extending the conclusions to the period end ~~subsequent to the interim period~~.

▶ Paragraph 130R

We suggest following revisions for consistency with the wording used in ISA 520 paragraph 5(c):

130R. If designing and performing analytical procedures, the practitioner shall (Ref: Para. A382-A383):...

- (b) Develop an expectation ~~about~~ of recorded quantities or ratios that is sufficiently precise to identify ~~possible material~~ misstatements that, individually or when aggregated with other misstatements, may cause the sustainability information to be materially misstated.

▶ Paragraph 132

Paragraph 132 of ED-5000 includes requirements if the practitioner uses sampling as a means for selecting items for testing. To provide clarity as to when sampling is used versus selecting items to obtain information to support further procedures, we suggest the IAASB add a definition of “sampling” consistent with ISA 530 paragraph 5(a), revised as applicable for ED-5000:

Sampling – The application of assurance procedures to less than 100% of items within a population of assurance relevance such that all sampling units have a chance of selection in

order to provide the practitioner with a reasonable basis on which to draw conclusions about the entire population.

▶ Paragraph 134L

We suggest the following revision as we believe the practitioner needs to perform further procedures “when” there are estimates or forward-looking information where material misstatements are likely to arise:

134L. ~~When~~ designing and performing further procedures on estimates or forward-looking information the practitioner shall: (Ref: Para. A390-A392)...

Further, we do not believe the requirement to evaluate the methods for developing estimates or forward-looking information in paragraph 134L(a)(ii) is clear. We question whether the requirement is assuming that the same method would apply to different disclosures or whether it is asking whether there is consistency between methods used, or whether management’s judgments have been applied consistently. We suggest that the IAASB clarify this requirement and develop application material to illustrate what is appropriate and consistent in evaluating such methods for a limited assurance engagement.

▶ Paragraph 138

We believe that paragraph 138 should be expanded such that a practitioner’s consideration of whether identified misstatements may be due to fraud also includes consideration of whether identified misstatements may be due to non-compliance or suspected non-compliance with laws and regulations (i.e., consideration of whether sustainability measures are within a regulatory range).

▶ Paragraph A59

We do not believe the guidance in paragraph A59 of ED-5000 aligns with the important guidance in ISA 220 (Revised) paragraphs A28 and A30. To properly characterize and align with the guidance in ISA 220 (Revised) paragraph A30 that explains how being sufficiently and appropriately involved can be demonstrated, we suggest that ED-5000 remain consistent with the requirements in ISA 220 (Revised) with the addition of new application material paragraph as follows:

Overall Responsibility for Managing and Achieving Quality (Ref: Para. 30-31)

A59. Taking overall responsibility for managing and achieving quality on the engagement ~~and being sufficiently and appropriately involved throughout the engagement~~ may be demonstrated by the engagement leader in various ways, including:...

A59A. Being sufficiently and appropriately involved throughout the audit engagement may be demonstrated by the engagement partner in different ways, including:

- Taking responsibility for the nature, timing and extent of the direction and supervision of the members of the engagement team, and the review of their work in complying with the requirements of this ISSA; and
- Varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

▶ Paragraph A137

We believe the term “deficiencies in internal control” should be formally defined in ED-5000 consistent with the definition in paragraph 6 of ISA 265 to provide more clarity about the significant matters to be communicated with management, those charged with governance or others.

▶ Paragraph A216

Paragraph A216 states that “The practitioner aims to obtain evidence that is collectively persuasive to respond to risk considerations.” However, it is not clear how these risk considerations are different from risks of material misstatement that the practitioner is required to respond to. An explanation of risk considerations and the actions required by the practitioner to respond are both needed.

▶ Paragraph A290

Paragraph A290 of ED-5000 is consistent with paragraph A112 of ISAE 3000 (Revised). However, paragraph A112 of ISAE 3000 (Revised) is application guidance to paragraph 48L(b), which requires the practitioner to “design and perform procedures to address the areas identified in paragraph 48L(a) and to obtain limited assurance to support the practitioner’s conclusion.”

For consistency with ISAE 3000 (Revised), and because we believe it is confusing to include the guidance in paragraph A290 of ED-5000 under the heading *Designing and Performing Risk Procedures* when the paragraph is explaining that irrespective of whether material misstatements are likely to arise, the practitioner designs and performs procedures to obtain a meaningful level of assurance, we suggest moving this application paragraph to support the requirements under the heading *Designing and Performing Further Procedures* (i.e., paragraph 114L) of ED-5000.

▶ Paragraph A297

We do not believe the examples in paragraph A297 illustrate how characteristics of events or conditions differ for different disclosures, as is indicated in the lead-in to the examples. We believe that the examples should illustrate how events and conditions could be different, which in turn, when considering the effect of the characteristics of those events and conditions, can lead to differing risks of material misstatement, or different conclusions about whether risks of material misstatements exist. We suggest that the IAASB revise the examples to provide more clarity.

▶ Paragraph A314

We do not believe the second sentence in paragraph A314 is appropriate because understanding controls is not required in a limited assurance engagement and would only be required in a reasonable assurance engagement, if relevant. Further, we believe a walkthrough is performed primarily for the purpose of understanding the entity's process, not controls. As such, we suggest the following revision:

A314. ... As the entity, the topics and the aspects of the topics become more complex, more extensive procedures may be necessary to understand the entity's ~~controls~~ processes, for example, by performing a walkthrough to confirm inquiries of entity personnel. A walkthrough involves selecting events or conditions and tracing them through the applicable process in the information system.

▶ Paragraph A356R

Paragraph A356R(b) states that the practitioner's understanding may "indicate risks of material misstatement that may affect many assertions or disclosures, and thus may be a risk of material misstatement for the sustainability information as a whole." We suggest that the IAASB provide additional clarity as to what the practitioner is required to do when these pervasive risks are identified. It is not clear whether the practitioner is required to identify and then also respond to these pervasive risks either as part of the implementation of the requirements in paragraph 114R or 116R.

In addition, we suggest the following revisions:

A356R. The practitioner's evaluation of the components of the entity's system of internal control and, if applicable, understanding of controls, along with any control deficiencies identified, may:...

▶ Paragraphs A369 to A371

We believe that this subsection should include the practitioner's additional responsibilities under law, regulation or relevant ethical requirements consistent with paragraph A102 of ISAE 3000 (Revised). Accordingly, we suggest the following be added to the application material:

The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations which may differ from or go beyond the practitioner's responsibility under this ISSA, such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and considering whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor; and

- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the practitioner's work in accordance with this and any other ISSAs (e.g., regarding the integrity of the responsible party or those charged with governance).

▶ Paragraphs A378 and A379

We believe that the external confirmation procedures application material should be expanded to include discussion of the practitioner's control over the external confirmation requests as we believe this additional guidance may be important for practitioners that are not auditors. We suggest the following be added to the application material for consistency with paragraph 7 of ISA 505:

When using external confirmation procedures, the practitioner shall maintain control over external confirmation requests, including:

- (a) Determining the information to be confirmed or requested;
- (b) Selecting the appropriate confirming party;
- (c) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the practitioner; and
- (d) Sending the requests, including follow-up requests when applicable, to the confirming party.

▶ Requirements in ISAE 3000 (Revised) or ISAE 3410 not included in ISSA 5000

We believe the following requirements from ISAE 3000 (Revised) and ISAE 3410 that are not in ED-5000 should be considered for inclusion in ED-5000 for consistency:

- ▶ 3000.45: The practitioner shall make inquiries of the appropriate party(ies) regarding:...
 - (c) Whether the responsible party has used any experts in the preparation of the subject matter information.

We believe including this concept, at least in the application material, would be helpful for the practitioner to consider when planning the engagement.

- ▶ 3410.27: If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement.

We note that considering other engagements is included in paragraphs A261 and A292 of ED-5000 but believe this should also be included as a requirement in ED-5000.

- ▶ 3410.31: The practitioner shall determine whether it is necessary in the circumstances of the engagement to perform procedures on location at significant facilities.

We note that some paragraphs in the application material of ED-5000 refer to “facilities” in various contexts. However, there is no specific guidance on the relevance or importance of considering facilities on the engagement. Such guidance may be helpful to the practitioner when planning and performing the engagement but need not be as detailed as that in ISAE 3410.

Q26. 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.

No response

Q27. 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?

Agree, with comments below

We are supportive of an 18-month period for the implementation of ED-5000 considering earlier application would be permitted and encouraged. This will allow jurisdictions where limited/reasonable assurance on sustainability information is newly being mandated to be able to use ED-5000 from the first period of application of the new requirements instead of developing local sustainability assurance standards.

We believe that because there is so much focus by investors on sustainability information, it is in the public interest to avoid fragmentation of sustainability assurance standards globally.



We would be pleased to discuss our comments with members of the International Auditing and Assurance Standards Board or its staff. If you wish to do so, please contact Eric Spiekman, Global Professional Practice (Eric.Spiekman@ey.com).

Yours sincerely,

Ernst + Young Global Limited

Appendix: Editorial and typographical suggestions

Paragraph reference	Suggested change
Paragraph 6	<p>We believe the application material paragraphs to paragraph 6 of ED-5000 are repetitive and not necessary, as they simply repeat and reference application material paragraphs later in the standard that are already referenced in paragraph 5(b) of ISSA 5000. We suggest deleting paragraphs A6-A8.</p> <p>We acknowledge the usefulness of emphasizing the importance of complying with ethics and quality management requirements in the standard but believe this explanation and instruction may be better understood as plain English implementation guidance.</p>
Paragraphs 17(c) and A13	<p>We suggest the following revisions to paragraphs 17(c) and A13 to make it clear that the term “assertions” is only applicable for reasonable assurance engagements:</p> <p>17.(c) <u>Assertions – Representations by the entity, explicit or otherwise, that are embodied in the sustainability information, as used by the practitioner for a reasonable assurance engagement to consider the different types of potential misstatements that may occur.</u> (Ref: Para. A13)</p> <p>A13<u>R</u>. <u>Assertions are used by practitioners to consider the different types of potential misstatements that may occur when identifying and assessing, and responding to, the risks of material misstatement. Examples of assertions are provided in paragraph A353R.</u></p>
Paragraph 17(e)	<p>Because the term “competence” and not “expertise” is used in paragraph 17(tt) to define “Sustainability competence” we suggest the following revision:</p> <p>17.(e) <u>Assurance skills and techniques – Planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from the expertise-competence in sustainability matters or their evaluation or measurement.</u></p>
Paragraph 17(uu)	<p>We suggest the following revision:</p> <p>17.(uu) <u>Sustainability information – Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. <u>Unless otherwise specifically indicated, the term “sustainability information” is to be read as the information that is subject to the assurance engagement.</u></u> (Ref: Para. A32)</p>

Paragraph 32	<p>As acknowledged in paragraph A65 of ED-5000, ISQM 1 requires a firm to establish quality objectives that address the competence and capabilities of personnel (ISQM 1 paragraph 32). We suggest that paragraph 32 of ED-5000 be revised to better align with ISQM 1:</p> <p>32. The engagement leader shall have: (Ref: Para. A65-A67)</p> <p>(a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application; ...</p>
Paragraph 77	<p>We suggest the following revision to provide consistency with the last sentence of paragraph 75 of ED-5000:</p> <p>77. If law or regulation prescribes the layout or wording of the assurance report... Accordingly, the practitioner shall not include any reference in the assurance report to the assurance engagement having been conducted in accordance with this <u>or any other ISSAs.</u>"</p>
Paragraph 90	<p>We suggest the following revisions to paragraph 90 and related application material at A260:</p> <p>90. The engagement leader and other key members of the engagement team shall be involved in planning the assurance engagement, including participating in the discussion among the engagement team members <u>required by paragraph 96.</u></p>
Paragraph 94L	<p>We suggest the following revisions:</p> <p>94L. The practitioner shall design and perform risk procedures sufficient to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and thereby provide a basis for designing further procedures to <u>address focus on</u> those disclosures. (Ref: Para. A286-A291)</p>
Paragraph 112L and 112R	<p>For consistency with ISAE 3000 (Revised) paragraph 49R, we suggest the following addition to the end of both paragraphs 112L and 112R:</p> <p><u>...and modify the planned procedures accordingly.</u></p>
Paragraph 114L	<p>We suggest the following revisions:</p> <p>114L. The practitioner shall design and perform further procedures whose nature, timing and extent <u>are focused on the address those</u> disclosures where material misstatements, whether due to fraud or error, are likely to arise. (Ref: Para. A358-A362L)</p>
Paragraph 161	<p>We suggest the following revisions:</p> <p>161. ... When indicators of possible management bias are identified, the practitioner shall evaluate the implications for the assurance</p>

	engagement. Where, considering that when there is intention to mislead, management bias is fraudulent in nature.
Paragraph A21R	<p>We believe that the first bullet of paragraph A21R should refer to the use of sampling and accordingly suggest the following revision:</p> <p>A21R. Reducing engagement risk to zero is very rarely attainable or cost-beneficial. Therefore, reasonable assurance is less than absolute assurance due to factors such as the following:</p> <ul style="list-style-type: none"> • The use of selective testing sampling....
Paragraph A22	<p>We suggest the following revisions to the second sentence of paragraph A22 for consistency with the definition of engagement team:</p> <p>A22. ...As explained in paragraph A91, when another firm performs assurance work [assurance] procedures on the engagement and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed that assurance work the [assurance] procedures on the engagement are not members of the engagement team and are referred to in this ISSA as “another practitioner.”</p>
Paragraph A28	<p>We believe the application material paragraph to paragraph 17(aa) of ED-5000 is repetitive and not necessary, as it simply references application material paragraphs later in the standard. We suggest that paragraph 17(aa) directly refer to the relevant application material paragraphs (i.e., paragraphs A401 and A406) for clear linkage between the definition and the application materials and paragraph A28 be deleted.</p>
Paragraph A32	<p>We suggest the following revisions:</p> <p>A32. As explained in paragraph 3, sSustainability information relates to information about sustainability matters and may cover a number of topics and aspects of those topics. Examples of topics and aspects of topics include the following:...</p>
Paragraph A109	<p>We suggest the following revision:</p> <p>A109. The nature, timing and extent of procedures to fulfill the requirement in paragraph 49 will vary depending on the circumstances....</p> <ul style="list-style-type: none"> • The <u>assessed</u> risks of material misstatement of the sustainability information (in a reasonable assurance engagement) or the disclosures where material misstatements are likely to arise (in a limited assurance engagement) to which that expert’s work relates....
Paragraph A143	<p>We note the wording “the identified and assessed risks of material misstatements” in the third bullet of paragraph A143 is also described as “the risks of material misstatement” or “the assessed risks of material misstatement” in other sections in ED-5000. We believe the same wording should be used for consistency throughout ED-5000.</p>

<p>Paragraph A144</p>	<p>We suggest the following revisions:</p> <p>A144. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:</p> <ul style="list-style-type: none"> • Matters that give rise to higher assessed risks <u>of material misstatement</u> (in a reasonable assurance engagement). • Results of procedures indicating that the sustainability information could be materially misstated or, in a reasonable assurance engagement, a need to revise the practitioner's previous assessment of the risks of material misstatement and <u>or</u> the practitioner's responses to those risks.
<p>Paragraph A162</p>	<p>We suggest the following revisions:</p> <p>A162. In evaluating whether management or those charged with governance, as appropriate, have a reasonable basis for the sustainability information, the practitioner may consider whether they have a formal process <u>system of internal control</u> with robust controls to enable the preparation of the sustainability information that is free from material misstatement...</p>
<p>Paragraph A166</p>	<p>We suggest the following revision:</p> <p>A166. If suitable criteria are unavailable for all of the sustainability information subject to the assurance engagement, but the practitioner can identify one or more disclosures in the sustainability information for which the criteria are suitable, then an assurance engagement may be performed with respect to <u>only</u> those disclosures.</p>
<p>Paragraph A223</p>	<p>Paragraph A223 states that "inquiry alone ordinarily does not provide sufficient appropriate evidence". As we do not believe there are circumstances where inquiry alone would provide sufficient appropriate evidence for an engagement as a whole, we suggest removing "ordinarily" from the sentence, as follows:</p> <p>A223. ...In a reasonable assurance engagement, inquiry alone ordinarily does not provide sufficient appropriate evidence.</p>
<p>Paragraph A225</p>	<p>We suggest the following revisions:</p> <p>A225. Although the processes and controls within the entity's information system...</p> <ul style="list-style-type: none"> ▶ Whether, in the case of a reasonable assurance engagement, substantive testing procedures alone will provide sufficient appropriate evidence...
<p>Paragraph A247</p>	<p>We suggest the following revision to paragraph A247 for consistency with the requirement in paragraph 84:</p> <p>A247. In order for the practitioner to obtain reliable evidence, information produced by the entity that is used for performing procedures</p>

	needs to be sufficiently complete and accurate, <u>as necessary in the circumstances...</u>
Paragraph A262	<p>We suggest the following revisions:</p> <p>A262. The nature and extent of planning activities will vary with the engagement circumstances...</p> <ul style="list-style-type: none"> • The extent to which the risk of fraud is <u>present in relevant</u> to the engagement
Paragraph A266	<p>We suggest the following revisions:</p> <p>A266. The practitioner uses professional judgment...</p> <ul style="list-style-type: none"> • The extent to which the sustainability information: <ul style="list-style-type: none"> ◦ Is processed using common information systems <u>IT applications</u> and controls, and...
Paragraph A267	<p>We suggest the following revisions:</p> <p>A267. The practitioner may decide...</p> <ul style="list-style-type: none"> • The nature and extent of commonality of controls. For example, waste generated by the entity's own activities is recorded using the same IT system application <u>application</u> and common controls are implemented across all entities or business units in the group.
Paragraph A287	<p>We suggest the following revision:</p> <p>A287. The nature and extent of risk procedures will vary based on the nature and circumstances of the entity (e.g., the formality of the entity's policies or procedures, and processes and systems), the nature and complexity of the sustainability matters and the characteristics of the events or conditions that could give rise to material misstatements of disclosures (<u>limited assurance engagements</u>) or to risks of material misstatement of disclosures (<u>reasonable assurance engagements</u>).</p>
Paragraph A291	<p>We suggest the following revisions to the second example in paragraph A291:</p> <ul style="list-style-type: none"> ▪ In a reasonable assurance engagement, evidence obtained that supports the identification and assessment of risks of material misstatement may also support <u>the evaluation of the operating effectiveness of controls whether a material misstatement exists.</u>
Paragraph A295	<p>We suggest the following revision:</p> <p>A295. The characteristics of events or conditions that could give rise to material misstatement of the disclosures (<u>limited assurance engagements</u>) or to risks of material misstatement of disclosures (<u>reasonable assurance engagements</u>) may include complexity,</p>

	<p>judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud, thus resulting in susceptibility of the disclosures to material misstatement, whether due to fraud or error.</p>
Paragraph A297	<p>We suggest the following revisions:</p> <p>A297. The characteristics of events or conditions that could give rise to <u>material misstatement of the disclosures (limited assurance engagements) or to risks of material misstatement of disclosures (reasonable assurance engagements)</u> may be different for different disclosures. For example:...</p>
Paragraph A302	<p>We believe the guidance provided in paragraph A302 is applicable not only to paragraph 99(a) but also to many requirements in the <i>Risk Procedures</i> section. Considering the importance of this paragraph, we suggest moving it to apply more generally to all risk assessment procedures, for example preceding paragraph A286.</p>
Paragraph A304	<p>Because understanding of controls is not required, we suggest the following revisions:</p> <p>A304.(b) The maturity of the systems, processes and controls over sustainability information and the extent to which they integrate the use of IT.</p>
Paragraph A305	<p>We suggest the following revisions:</p> <p>A305. Understanding the reporting boundary may require the analysis of complex organizational structures...</p> <ul style="list-style-type: none"> • Identify the sustainability matters-disclosures where it may be necessary to use the work of others to obtain sufficient appropriate evidence.
Paragraph A315L	<p>We suggest the following revisions:</p> <p>A315L. ...In addition, the practitioner is not required to <u>identify controls or evaluate the design of controls and determine whether they have been implemented-unless the practitioner plans to test the operating effectiveness of controls</u>. The practitioner uses professional judgment to determine the extent of understanding that is necessary to identify disclosures where material misstatements are likely to arise and to provide a basis for designing procedures to focus on those disclosures. It will often not be necessary to obtain a detailed understanding of the components of the <u>entity's system of internal control</u> and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement.</p>
Paragraph A319R	<p>We do not believe that an understanding of risks faced by the entity would be obtained by the evaluation of the control environment, but instead by</p>

	<p>the understanding of the entity's risk assessment process. Therefore, we suggest the following revision:</p> <p>A319R. The practitioner's evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the entity's system of internal control. This is because the control environment is foundational to the other components of the entity's system of internal control. This evaluation may also assist the practitioner in understanding risks faced by the entity and identifying and assessing the risks of material misstatement at the assertion level for the disclosures.</p>
Paragraph A322	<p>We suggest the following revisions:</p> <p>A322. <u>Understanding</u> The results of the entity's risk assessment process may assist the practitioner in:...</p>
Paragraph A323R	<p>We suggest the following revisions:</p> <p>A323R. The practitioner's evaluation <u>understanding</u> of the entity's risk assessment process allows the practitioner to understand where the entity has identified risks that may occur,...</p>
Paragraph A324R	<p>We suggest that the IAASB consider whether part of this paragraph should be replicated for limited assurance engagements in situations when the entity is required to identify and provide information about sustainability-related risks and opportunities, or the process(es) by which sustainability-related risks and opportunities are identified, assessed and managed. Understanding the entity's risk assessment process may also assist the practitioner in a limited assurance engagement in these circumstances.</p>
Paragraph A326	<p>Because an evaluation of the entity's risk assessment process is not required for a limited assurance engagement, nor are practitioners required to identify risks in a limited assurance engagement, we suggest that this paragraph be applicable only to reasonable assurance engagements.</p>
Paragraph A333	<p>In our view, the example in the second sentence of paragraph A333(a)(ii) relates to understanding control activities and implies that an understanding of control activities is required for both limited and reasonable assurance engagements. Therefore, we believe moving this example to the application material paragraphs for control activities (i.e., paragraphs A337-A339R) is more appropriate.</p> <p>Further, we suggest the following revisions:</p> <p>A333. The practitioner uses professional judgment to determine which aspects of the information system are relevant to the engagement <u>preparation of the subject matter information</u> and may make inquiries of the appropriate party(ies) about those aspects <u>and perform other procedures, as necessary</u>. The understanding of the information system may include an understanding of the following:</p>

	<p>(a) The entity's information processing activities, including its data and information, the resources to be used in such activities and the policies or procedures that define, for the sustainability information:...</p> <p>(c) The entity's policies or procedures that address the reliability of information. For example, the entity's <u>controls policies</u> may address the reliability of information from external sources by:...</p>
Paragraph A335	<p>We suggest the following revisions:</p> <p>A335. ...The practitioner's understanding of the information system <u>may</u> includes the IT environment, IT applications and other aspects of the IT environment that are relevant to the flows and processing of information in the information system....</p>
Paragraphs A337 and A340	<p>In our view, paragraph A337 may be misleading for limited assurance engagements. We suggest that the IAASB explicitly state at the beginning of the application material related to Control Activities that the practitioner is not required to understand, identify or evaluate controls in a limited assurance engagement if the practitioner does not plan to obtain evidence by testing the operating effectiveness of controls.</p>
Paragraph A344	<p>We do not believe this paragraph is consistent with paragraph A229 of ISA 315 (Revised 2019), and therefore, is not accurate. We suggest revising this paragraph as follows:</p> <p>A334. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, for automated controls, the practitioner may plan to test <u>the operating effectiveness of automated controls</u> their operating effectiveness by identifying and testing general IT controls <u>that provide for the consistent operation of automated controls</u> instead of performing tests of operating effectiveness on the automated controls directly that are embedded in the IT system. General IT controls that are not able to be reconfigured or changed by management provide for the consistent operation of an automated control. <u>Obtaining audit evidence about the implementation of a manual control at a point in time does not provide audit evidence about the operating effectiveness of the control at other times during the period under audit</u> The practitioner may test general IT controls instead of performing tests of operating effectiveness on the automated controls directly.</p>
Paragraph A350R	<p>We believe that it is useful to acknowledge that a practitioner considers both likelihood and magnitude of a possible misstatement, and as such, we suggest the following revisions:</p> <p>A350R. <u>In considering the likelihood of a possible misstatement, the practitioner considers whether it is reasonably possible that the risks will occur.</u> In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and</p>

	quantitative aspects of the possible misstatement (i.e., misstatements in assertions about a disclosure may be judged to be material due to size, nature or circumstances).
Paragraph A357L	<p>We suggest the following revisions:</p> <p>A357L. The practitioner’s understanding of the relevant components of the entity’s system of internal control may:...</p> <p>(b) Indicate that material misstatements are the sustainability information is likely to arise <u>material misstatements are the sustainability information is likely to arise</u> be subject to pervasively throughout the sustainability information material misstatement.</p>
Paragraph A361	<p>We note that “examination” in paragraph A361(b)(i) is not a type of procedure described in paragraph A358 (i.e., inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry). To better align with paragraph A358 and proposed ISA 500 (Revised), we suggest the following revision:</p> <p>A361. (b) In a limited assurance engagement, the extent of procedures performed compared to those in a reasonable assurance engagement may involve:</p> <p>(i) Selecting fewer items for examination <u>inspection</u>;</p> <p>Also, we do not believe the example provided for a limited assurance engagement in paragraph A361(c)(ii) is appropriate because, in our view, the determination of the reliability of information intended to be used as evidence would not differ between a limited assurance engagement and a reasonable assurance engagement. Further, the requirements in paragraphs 83 and 84 are the same for both levels of assurance. Therefore, we suggest removing paragraph A361(c)(ii).</p>
Paragraph A363L and A364R	<p>We do not believe the examples in these paragraphs are relevant to designing and performing further procedures as they seem to be providing examples of considerations when identifying disclosures where material misstatements are likely to arise or for the reasons for the assessment given to the risk of material misstatement. Therefore, we suggest relocation of these examples to the <i>Understanding the Sustainability Matters and the Sustainability Information</i> section of ED-5000 where the effects of characteristics of events and conditions in identifying disclosures are explained. Alternately, a lead-in to the examples needs to be included to tie the examples more closely to the designing of the nature, timing and extent of further procedures (e.g., the nature, timing and extent of the further procedures will be informed by the reasons for the identification of the disclosures where material misstatements are likely to arise (limited assurance) or the assessment of the risks of material misstatement at the assertion level (reasonable assurance), in accordance with paragraphs 121L and 121R).</p>
Paragraph A366	We suggest the following revisions:

	<p>A366. More persuasive evidence may be needed if...</p> <ul style="list-style-type: none"> • The lack of a relationship between the sustainability information and other relevant information that excludes <u>prevents</u> the <u>effective</u> performance of analytical procedures;... • Risks of material misstatement in disclosures that have <u>not</u> been identified by the entity's risk assessment process;... • A lack of maturity in the sustainability matters or the information systems used to develop the sustainability information;...
Paragraph A365	<p>We believe that in the example given, a practitioner would consider both the quantity and quality of the evidence. As such, we suggest the following revision:</p> <p>A365. ...In such circumstances, it may be appropriate to increase the quantity and <u>the quality</u> of the evidence (e.g., by obtaining corroborating evidence from a number of independent sources).</p>
Paragraph A375	<p>We suggest the following revision:</p> <p>A375. In most cases, evidence from a previous engagement's substantive procedures provides little or no evidence for the current period. However, it may be appropriate to use evidence from a previous engagement's substantive procedures if that evidence and the related subject matter have not fundamentally changed, and procedures have been performed during the current period to establish its continuing relevance <u>and reliability</u>.</p>
Paragraph A382	<p>Paragraph A382 appears to contrast substantive analytical procedures (as described in paragraphs A359 and A361) with other analytical procedures. As such, we suggest the following revision:</p> <p>A382. <u>Substantive Analytical</u> procedures may be performed when...</p>
Paragraph A397	<p>We suggest the following revision:</p> <p>A397. The process to assemble the sustainability information may be very informal when the entity's information systems are <u>is</u> immature. In more sophisticated systems, the process may be more systematic and formally documented....</p>
Paragraph A429L	<p>The last sentence of paragraph A429L states "The extent of consideration of subsequent events depends on the potential for such events to affect the sustainability information and the practitioner's assurance conclusion." We believe this sentence also applies to reasonable assurance engagements and should be added to paragraph A428R.</p>