

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

### Guide for Respondents

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

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

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

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

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

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

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

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

|   |  |
|---|--|
| Your organization’s name (or your name if you are making a submission in your personal capacity)  | Climate Accounting & Audit Project (CAAP)  |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above)  | Sue Harding<br>David Pitt-Watson   |
| Name(s) of contact(s) for this submission (or leave blank if the same as above)   |  |
| E-mail address(es) of contact(s)  | <a href="mailto:sueharding@hardinganalysis.com">sueharding@hardinganalysis.com</a><br><a href="mailto:david@pitt-watson.com">david@pitt-watson.com</a>   |
| Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option. | <a href="#">Global</a>   |
|   | If “Other”, please clarify   |
| The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.                             | <a href="#">User of sustainability information/ external reporting</a>   |
|   | If “Other”, please specify   |
| Should you choose to do so, you may include information about your organization (or yourself, as applicable).   | The Climate Accounting and Auditing Project is a group of accounting and finance experts which is working with investors to ensure the requirements of the IASB and IAASB (in particular their guidance on climate risk) are followed, and hence material climate risks are considered and that this is given appropriate transparency in company financial statements and the associated audit reports. |

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

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

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

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

### Overall Questions

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

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

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

### Detailed comments (if any):

We agree that standards for providing assurance on sustainability reporting, as for the reporting of sustainability information itself, and the financial statements and their audit, should all be principle based and that overarching standards/requirements have a key role to play in this. We say this on the understanding that such standards will be followed and enforced. Our concern is that this is not currently happening. If the IAASB agrees with this, we would urge measures to ensure standards are followed. If it believes current standards are being followed, then that suggests that they, and the proposed sustainability standards will prove inadequate.

This submission focuses on what we consider to be a crucial aspect of the context into which the new sustainability reporting requirements and their assurance will be introduced. As we noted in our comment letter to the ISSB on its agenda consultation, this context already includes very widely adopted existing IFRS accounting requirements that address material climate risk and how it should be taken into account in preparing the financial statements, and in their audit.

Our concern, however, is that the evidence suggests that these requirements are being widely ignored. This may have several implications for the effective implementation of sustainability reporting and the related assurance. While our concerns are interrelated, they can largely be summarised in relation to materiality judgements on disclosure to be made, and to consistency of information across sustainability reporting and the financial statements. We address these in responding to three questions in the Response Template.

- Question 12: Materiality judgements and information to be disclosed
- Question 19: Reporting and the potential for misstated information (including fraud and greenwashing)
- Question 21: Reporting on consistency and the responsibility to read ‘other information’.

### Public Interest Responsiveness

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

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

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

### Detailed comments (if any):

### Specific Questions

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

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

*(See Explanatory Memorandum Section 1-C)*

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

**Detailed comments (if any):**

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

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

*(See Explanatory Memorandum Section 1-D)*

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

#### *Definitions of Sustainability Information and Sustainability Matters*

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

*(See Explanatory Memorandum Section 1-E, paras. 27-32)*

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

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

*(See Explanatory Memorandum Section 1-E, paras. 35-36)*

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

*Differentiation of Limited Assurance and Reasonable Assurance*

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 45-48)*

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

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

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

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

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

*Suitability and Availability of Criteria*

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

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

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

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

#### *Materiality*

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

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

**Overall response:** [Neither agree/disagree, but see comments below](#)

**Detailed comments (if any):**

Considering the materiality of information to be disclosed is a critical element of any principle-based system of reporting. We share below a number of concerns on this topic, stemming from deficiencies in information seen in audited financial statements that, due to the same or similar definitions being used in sustainability reporting, may become at least as problematic for assured sustainability reporting.

We note that the IASB has conducted initial work in its project on Climate-related and Other Uncertainties in the Financial Statements, which was initiated following its latest agenda consultation and considerable input from stakeholders on its standards being applied inconsistently and in a manner that resulted in insufficient information in the financial statements about climate-related risks.

In general, it appears to have concluded that its standards are sufficient. It plans to consider a number of targeted actions to improve application of IFRS accounting requirements, potentially including additional guidance via agenda decisions of its Interpretations Committee, additional educational materials and/or examples and illustrations. Potential changes to requirements in only one area, the disclosure of estimates and assumptions. In July 2023 it re-published its 2020 Educational Material [‘Effects of climate-related matters on financial statements’](#) alongside publication of the ISSB’s first two standards (general requirements and climate).

#### Recommendations:

We urge the IAASB to also consider whether such issues of inconsistency and insufficient financial statement information are enabled by deficiencies in its standards on the audit of financial statements or how those standards are applied in practice in relation to climate-related risks. I may also be helpful to refresh its own [Staff Audit Practise Alert \(2020\) ‘The Consideration of Climate-Related Risks in an Audit of Financial Statements’](#). We also suggest that the IAASB consider lessons that can be taken into account in finalising ED-5000. There is particular relevance for ED-5000 on assurance of sustainability reporting, given that the ISSB very deliberately adopted the same definition of materiality as is used in the IFRS accounting standards, and other systems of sustainability reporting may also use similar approaches.

### Further background:

A very real application problem has been identified in how the materiality definition is (or is not) currently applied in practice in the financial statements. There is a significant and increasingly apparent lack of material information on climate being provided in financial statements. We acknowledge that applying the concept of materiality can be a challenging and inherently judgmental process which by definition involves consideration of not only quantitative, but also the qualitative nature of information and its relevance to investors (and sometimes others) in their decision-making. However, even for the financial statements of many of the largest GHG emitters in the world, companies specifically identified by investors for their climate exposure, there is significant evidence that disclosure of material climate-related information is largely lacking in the financial statements.

The evidence of this includes analysis published by Carbon Tracker in their report 'Still Flying Blind', which focused primarily on 2021 year-end reporting, and their previous report 'Flying Blind', which primarily looked at 2020 year-end reporting.<sup>1</sup> To illustrate the extent of this concern, of the 84 IFRS financial statements reviewed for the Still Flying Blind report, only three were found to have provided sufficient information to demonstrate how their financial statements included consideration of the financial impacts of material climate matters, and only one provided a comprehensive understanding of the climate-related assumptions and estimates used to prepare the financial statements.

All of these company financial statements received clean audit reports. Carbon Tracker additionally noted that six of the 75 ISA audit reports appeared to demonstrate consideration of climate risk.

Furthermore, the initial reviews of year-end 2022 reporting again does not suggest significant progress, either in the financial statements or auditor's report. This situation persists in spite of the IASB and IAASB having provided clear confirmation of existing requirements in relation to information required in relation to climate -related matters in the financial statements and audit.

As for the materiality judgements to be made under sustainability reporting standards, such judgements on information to be disclosed may even be more challenging. Application of such new standards lacks the decades long experience behind IFRS accounting requirements. Additionally, disclosure practices for sustainability reporting are developing and will likely continue to do so with introduction of new requirements set by the ISSB and regionally including European Sustainability Reporting Standards (ESRS). Financial statement disclosure is in effect bounded by the context of information relating to the application of accounting requirements to the facts and circumstances of the company, for example, the recognition and measurement of asset and liability amounts in the financial statements and additional disclosure to provide an understanding of those amounts, i.e. what they do and don't represent. In contrast, decisions on materiality of whether certain sustainability information should be disclosed is an even more open judgement on what information is material to investors or in some cases wider stakeholders.

Therefore, we believe it will be critical to the success of sustainability reporting standards and the related IAASB sustainability assurance standards to address from the outset, how such judgements are expected to be made, rather than allowing significant deficiencies to become embedded in practice, only to require fixing later. Thus this is an issue for the assurance of sustainability reporting as it is for the audit of the financial statements, where the evidence is already clear.

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<sup>1</sup> For example, see reports by the Carbon Tracker Initiative:

<https://carbontracker.org/reports/flying-blind-the-glaring-absence-of-climate-risks-in-financial-reporting/>

<https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>

Beyond this, we are particularly troubled by a recent suggestion that the overarching requirements of IFRS (IAS 1) to provide material information not specifically required by other topical IFRS accounting standards is not ever considered by auditors to lead to additional material information such as the information that has been found by Carbon Tracker to be lacking in their company reporting assessments.<sup>2</sup>

*Understanding the Entity's System of Internal Control*

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

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

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

**Detailed comments (if any):**

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

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

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

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

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

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<sup>2</sup> [Big Six senior leadership missing in action on climate reporting and audit | ClientEarth](#)



*Estimates and Forward-Looking Information*

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

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

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

**Detailed comments (if any):**

*Risk Procedures for a Limited Assurance Engagement*

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

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

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

**Detailed comments (if any):**

*Groups and “Consolidated” Sustainability Information*

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

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

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

**Detailed comments (if any):**

*Fraud*

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

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

**Overall response:** [Neither agree/disagree, but see comments below](#)

### Detailed comments (if any):

We address consistency/connectivity of information in the financial statements versus the sustainability reporting, in question 21 of this Response Template. However there is a further dimension to this that is relevant to fraud, and as this question 19 rightly points out, including 'greenwashing'.

The lack of consistency/connectivity cannot only lead to incoherent reporting, but may actually highlight potential misstatement of information in either element of reporting (sustainability or financial statement), or even fraudulent reporting.

A consistency gap can often be seen in current annual reports, many of which already include considerable sustainability information, for example describe considerable climate-related business and financial risks, and set out various emissions reduction commitments such as achieving net zero by 2050, cite various interim targets, and describe the strategy and plans to achieve these through transformation of the business, all of this being relative to little or even no discussion in the financial statements of how these risks and commitments were considered. While there may be a number of reasons for this including that material information has been omitted from the financial statements, the lack of financial statement disclosure could also point to sustainability reporting that lacks in substance and may therefore be considered to represent 'greenwashing'.

### Recommendations:

We note that that while the Explanatory Memorandum references 'greenwashing' in the context of fraud, it is not mentioned at all in ED-5000. We recommend that this term not only be made explicit in the final standard, but that the standard also reference the lack of disclosure in the financial statements of how sustainability related risks and steps to address them were considered, as a potential indicator of misstatement or fraud, where such sustainability information might raise a reasonable expectation of financial statement impact (ie changes in remaining asset lives or other assumptions used to determine depreciation, future cash flows and asset impairment, increased provisions, etc.)

#### *Communication with Those Charged with Governance*

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

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

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

### Detailed comments (if any):

#### *Reporting Requirements and the Assurance Report*

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

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

**Overall response:** [Neither yes/no, but see comments below](#)

### Detailed comments (if any):

With respect to the reporting of assurance on sustainability reporting, there is one additional point to be made from the experience of the audit of financial statements, and that is with respect to consistency between sustainability reporting and financial statement reporting. Our concerns over consistency also relate to comments in response to question 19 on fraud, including greenwashing.

The requirements in ED-5000 for assurance of sustainability reporting relating to 'other information' appear to mirror those in ISA 720 in relation to the responsibility of auditors of the financial statements with respect to 'other information'. Within an annual report<sup>3</sup>, for the assurance of sustainability reporting, the 'other information' will include the financial statements, whereas the 'other information' for the audit of the financial statements will include the sustainability reporting. In both cases, the requirement is to read and consider the other information, including consideration of whether there is a material inconsistency, and any implications for the audit/assurance report.

Practitioners performing assurance services on sustainability reporting will face the same questions on inconsistencies - just in the opposite direction to that of the auditor of the financial statements.

#### Recommendations:

We recommend that the IAASB:

- consider why currently there is a persistence of information on climate risk that does not appear to be consistent across sustainability reporting and the financial statements (see below) – ie it has neither been amended to ensure consistency prior to issuance of the reporting, nor mentioned in the unqualified report on the audit of the financial statements (indeed most reports directly state there is 'nothing to report' on requirements relating to 'other information'). The conclusions on this may have implications for 'other information' requirements of the financial statement audit and/or for the assurance of sustainability reporting.
- consider in highlighting that for sustainability reporting, it may be the absence of disclosure in the financial statements that gives rise to the apparent inconsistency that should be considered in reading and reporting on 'other information'. Related to this point,
- consider cautioning that achieving consistency is not about expanding sustainability reporting to include disclosure that belongs in the financial statements to meet IFRS (or other) accounting disclosure requirements. This could be included in the discussion of how identified inconsistencies may need to be resolved.

#### Further background:

The topics of consistency, and whether material information is provided in the financial statements, are linked. The lack of material information in the financial statements may give the appearance of inconsistency or at least presents a question of whether information is consistent or not, if disclosure is ambiguous.

Again referencing current experience on the audit of financial statements, this is another requirement that appears not to be conducted/reported in a manner that would be expected. The auditors report frequently notes that the auditor has 'nothing to report' or a similar comment, whereas the work by Carbon Tracker summarized in their report Still Flying Blind identified that in all cases, there appeared to be concerns over the consistency of information on climate related matters in the narrative reporting on climate vs the information presented in the financial statements. In only one of the 75 cases reviewed

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<sup>3</sup> [While the ISSB has not specified that information provided in compliance with S1 and S2 would be included in the annual report, we have assumed this would generally be the case in how the standards are adopted in the requirements of various jurisdictions, and that at a minimum, consistency across the annual report would be expected.](#)

did the auditor make at least some comment on concerns over consistency, in that instance noting that certain specific disclosures were 'not consistent'.

Climate-related strategy and targets may be seen as lacking substance (ie greenwash) if it cannot be seen how and the extent to which they impact consideration of financial reporting. For example, if a company's disclosure of emissions targets and strategy suggests the early retirement of carbon-intensive assets (for example coal-fired power plants that will need to be retired in 10 years not 40 in order to meet emissions targets), then it would be expected that this would be reflected in the financial statements in estimates of remaining useful lives and cash flow generation for impairment testing, and that asset retirement obligations too would likely reflect the acceleration. If this is not made clear in the audited financial statements or the company in fact maintains the assumption of a 40 year life in its financial reporting, then the climate target declaration may well be viewed as "greenwash".

The nature of perceived inconsistencies can differ, for example they may be considered to be:

- 'Apparent' inconsistencies – The coal plant example falls into this category, where there is information in the sustainability reporting that raises expectations for the financial statements, but if little or no explanation is provided on how the issue was considered and assumptions and estimates made, there at least may appear to be an inconsistency as the situation is left unclear.
- Direct inconsistencies – More direct discrepancies may also be present, for example in quantified price or cost amounts, or in qualitative information disclosed. For example, a company may disclose different carbon price assumptions without explaining the difference. Some companies use a price disclosed in sustainability reporting as being used to burden investment decisions with high cost to encourage investment in low carbon projects, and a different price used in its best estimates of future cash flows for impairment testing in the financial statements. Where these differences are described, these can be understood as two different things. However, if this is left unclear, readers may conclude there is a more directly observable discrepancy.

We consider it critical that inconsistency or the appearance of inconsistency, not be left unresolved as this begs the question of whether information is misstated in either financial statement reporting or in the sustainability reporting, and may make for a relatively incoherent annual report.

Regardless of whether or not substantive, information is needed to understand in the financial statements how issues that are raised by sustainability disclosures have been considered in the financial statements and ultimately the extent to which information is consistent. Differences may be required, for example to the extent that accounting adjustments are not yet permitted as criteria is not met, but this should be made clear in the financial statements and addressed as well in the auditor's procedures (including reporting) on 'other information'.

Anecdotally, some suggest that this is not done currently because sustainability reporting is not currently felt to be substantive – ie that narrative reporting on climate may in some cases be dismissed as more akin to marketing information and therefore may not be considered to raise any reasonable expectations for information in the financial statements. If this is the case, then we would hope that new sustainability reporting requirements together with new assurance will help improve the quality of such sustainability information, but this suggests there may be severe difficulties with implementing the new requirements. In the meantime, such inconsistencies should nonetheless be called out by the auditor under current requirements.

Longer term, new sustainability reporting requirements must result in consistency between sustainability and financial statement information. If they do not, there is the danger that the standards on sustainability information including climate will be regarded as enabling "greenwashing". That in turn will undermine the effect and legitimacy of the new standards, and if not called out by those providing

audit and assurance services, the legitimacy of the related IAASB standards under which these services are provided.

Practitioners performing assurance services on sustainability reporting will face the same questions on inconsistencies - just in the opposite direction to that of the auditor of the financial statements.

We recommend that the IAASB consider why currently there is a persistence of information that does not appear to be consistent – ie it has neither been amended to ensure consistency prior to issuance of the reporting, nor mentioned in the unqualified report on the audit of the financial statements (indeed most reports directly state there is ‘nothing to report’ on requirements relating to ‘other information’). The conclusions on this may have implications for ‘other information’ requirements of the financial statement audit and/or assurance of sustainability reporting.

Additionally, we note that ED-5000 makes clear that it is expected that not only should potential misstatement be considered in what is in the ‘other information’ (ie the financial statements), but also in the sustainability reporting information that is being assured/audited. On this, we make two observations:

- While it is the primary responsibility of the reporting company to ensure appropriate information in the financial statements (and the auditor of the financial statements to consider this), the requirements on ‘other information’ suggest that those providing assurance on sustainability reporting may need to consider information that should be in the financial statements in order to carry out their responsibilities for consistency of ‘other information’ including the financial statements, and report the result. In other words, it is the absence of disclosure in other information that may give rise to the inconsistency. This seems to be the case currently, and it would be helpful if it was specifically highlighted in finalizing ED-5000.
- We also caution that the financial statements must be complete on their own, providing sufficient information under the relevant accounting/disclosure requirements. Achieving consistency is not about expanding sustainability reporting with disclosure that belongs in the financial statements to meet IFRS (or other) accounting disclosure requirements. Again it would be helpful to bring this out in finalizing ED-5000, perhaps in the discussion of how identified inconsistencies may need to be resolved.

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

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

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

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

*Other Matters*

24. Are there any public sector considerations that need to be addressed in ED-5000?  
(See *Explanatory Memorandum Section 1-I, para. 135*)

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

**Detailed comments (if any):**

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

**Overall response:** [No other matters to raise](#)

**Detailed comments (if any):**

### **Part C: Request for General Comments**

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

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

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

**Detailed comments (if any):**

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

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

**Detailed comments (if any):**