

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)	<p>MFIs' Internal Audit-ESG Working Group:</p> <ol style="list-style-type: none"> 1. European Bank for Reconstruction and Development 2. New Development Bank 3. Asian Infrastructure Investment Bank 4. Asian Development Bank 5. Islamic Development Bank 6. African Development Bank
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	<p>Zofia Bailey Sankara Varma Pusapati Alma Dolot Do Keun Cho Che Khairuddin Mohammed George Orwa Jonyo</p>
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	<p>baileyz@ebrd.com dcho@adb.org p.sankaravarma@ndb.int alma.dolot@aiib.org G.JONYO@AFDB.ORG CMohamed@isdb.org</p>
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.	<p>Global</p> <p>If "Other", please clarify</p>
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	<p>Other (if none of the groups above apply to you)</p> <p>If "Other", please specify Multilateral Development Bank</p>
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

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

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

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

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

Overall Questions

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

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

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

Detailed comments (if any):

It appears that the proposed exposure draft aims to establish a general requirement for sustainability assurance engagements that can be applied broadly across various aspect of sustainability reporting.

Overall, the ED is very comprehensive, and it is written in a manner that could be easily understood by practitioners and non-practitioners. However, we would like to make following suggestions to prevent the risk of misinformation:

- Rename the standards from Sustainability Assurance Engagements to Sustainability Reporting Assurance as it related to sustainability reporting only and not to sustainability.
- Revisit evolution of sustainability, use the more recent, widely recognized/credible definitions of sustainability/sustainability development (i.e., UN SDG) as this would set the parameters of sustainable 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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

It appears that IAASB has taken into account a range of standard-setting characteristics, including timeliness, relevance, comprehensiveness, implementability, enforceability and scalability, in the development of the ED-5000.

These characteristics collectively contribute to the responsiveness to public interest, however in specific details it may be difficult to ensure that concerns related to public interest are adequately addressed for all stakeholders.

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: Yes (with no further comments)

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: Yes, with comments below

Detailed comments (if any):

1. It would be helpful to have a list of “other professional requirements, or requirements imposed by law or regulation” which are assumed to be “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements; and/or checklist to assess compliance.
2. Practitioners, assurance engagement teams or quality reviewers could benefit from understanding potential limitations in applying the principle of “at least as demanding”.
3. Supports the baseline requirement of “at least as demanding”. However, clarity is needed in its application is needed. In financial accounting and auditing there are existing internationally recognized competency requirements. This is not yet the case for sustainability reporting and, there could be challenges for assurance provider to meet the requirements of the code.

Suggestions:

1. Establish minimum requirements for each category.
2. Provide illustrative examples or case studies that demonstrate how firms can apply the concept of “at least as demanding” in real situations.
3. Consider developing practical guidance where practitioners may struggle to meet “at least as demanding” requirement and provide guidance on how to address these challenges effectively

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: Neither yes/no, but see comments below

Detailed comments (if any):

1. The envisaged definitions may not align with MDB understanding and objectives related to sustainability assurance engagements.
2. Agrees to moving away from the widely used “ESG” and treating governance as an aspect of a topic. We welcome that IAASB broadened definition of sustainability matters to include environmental, social, economic and cultural matters. However, as an assurance guide, ED-5000 may use the definition only to decide the applicability of this assurance guide on the criteria of engagement (such as reporting standards) to be used for the reporting. Once the applicability of the assurance guide is decided, the definition of sustainability may have to follow how sustainability is defined in the criteria for the engagement that auditors intend to opine on. ED-5000 may specify this relationship between the criteria for the engagement and this assurance standard to help readers’ understanding.
3. See comment #1. The definition becomes problematic as it does not define what constitutes other “matters” and is not in alignment with the more recent definition of sustainability/sustainability development. Also, within the context of MDB, providing assurance using the ED definition that is not in alignment with MDBs’ recognized definitions increases the risk of misinformation.

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

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

Overall response: Yes (with no further comments)

The relationship is clear but once again, the definition and relationship may need to follow the target criteria for the engagements.

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: Yes (with no further comments)

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: Yes (with no further comments)

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: Yes, with comments below

1. It is not clear how materiality is being determined, and it seems to be subject to interpretation.
2. Detailed comments (if any): Linked to comment #1 i.e., clarify definition of sustainability/sustainability development as this will help set the context in setting the information requirement and scoping of an sustainability information assurance engagement.

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: Neither yes/no, but see comments below

Detailed comments (if any):

The evaluation criteria defined to assess the effectiveness of framework for assurance practitioners are not sufficient and are subjective, especially for the entity-developed criteria adopted by entities to prepare and present sustainability information. For instance, minimum expected criteria should be defined for entity-developed criteria, and references should be made to Standards such as S1 and S2 issued by the International Sustainability Standards Board (ISSB). [References: Para 14 of Explanatory Memorandum (EM): Sub-heading: Any Suitable Criteria; Para 56-58 of EM : Heading: The Suitability and Availability of the Reporting Criteria]

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: Yes, with comments below

Detailed comments (if any): ED needs to clarify its definition and expand consideration of double materiality i.e., paragraph A180 of ED-5000 explains that *the information needs of the intended users of sustainability information may relate to the impact of sustainability matters on the entity, or the impacts of the entity on sustainability matters. When the needs of the intended users relate to both the impacts on the entity and the entity’s impacts, this can be referred to as double materiality.*

Different interpretations and applications of double materiality can arise based on different factors such as sector differences, geographic variances, stakeholder perspectives.

Materiality

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

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

Overall response: Agree, with comments below

Detailed comments (if any):

1. Same as point 9 above.
2. To ensure consistency across practitioners, consider providing additional guidance and practical application in establishing materiality for both quantitative and qualitative disclosures under ED A279 – A281.

Understanding the Entity’s System of Internal Control

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

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

Overall response: Agree (with no further comments)

Detailed comments (if any):

Using the Work of Practitioner’s Experts or Other Practitioners

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

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

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

Detailed comments (if any):

Consider providing distinctions between “internal expert”, “external expert” and “another practitioner”; and guidance on information flow and reliance on the experts’ work.

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

Detailed comments (if any):

Estimates and Forward-Looking Information

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

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

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

Detailed comments (if any):

1. **Yet, it remains unclear how materiality is determined.**
2. **It’ll be helpful to provide illustrative examples or case studies that demonstrate how we can apply these concepts in the context of sustainable reporting assurance engagements.**

Risk Procedures for a Limited Assurance Engagement

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

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

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

Detailed comments (if any):

Groups and “Consolidated” Sustainability Information

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

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

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

Detailed comments (if any):

1. **“Consolidated” sustainability information shall be within the same perimeter as for the presentation of financial statements.**
2. **ED-5000 is a framework-neutral standard and does not address requirements specific to any global framework for presentation of sustainability information. With this background, if multiple locations within the entity or outside of the entity (e.g., in the value chain) follow different frameworks, it will be a challenge for assurance practitioners to review consolidated sustainability information prepared by entities. Therefore, a similar ISSA standard for consolidated sustainability information is necessary, similar to ISA 600 (Revised).**
3. **Consider providing guidance on reporting boundary with what procedures need to be used to assess them and in obtaining audit evidence outside the auditor’s jurisdiction.**

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):

1. This is a very practical reference and helpful in making the business understand what greenwashing means and how it is linked to fraudulent practices.
2. Fraud can appear through different forms (eg. false statement, “hidden trade-off”, vague disclosures, misleading labelling,...) – it would worth further defining what fraud is?
3. In addition, in spite of not defining sustainability reporting fraud, the paragraph A406 provides examples of misstatements due to fraud in sustainability information.

Communication with Those Charged with Governance

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

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

Overall response: Yes (with no further comments)

Detailed comments (if any):

Reporting Requirements and the Assurance Report

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

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

Overall response: Yes (with no further comments)

Detailed comments (if any):

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

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

Overall response: Neither agree/disagree, but see comments below

Detailed comments (if any):

KAM is a very effective means of communicating to the management and the Board where material misstatement could arise.

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

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: [Yes, with comments below](#)

Detailed comments (if any):

See #1.

Clarify relationship with the international definition of sustainability (and sustainable development in the context of UN SDGs and similar concepts) and the requirement for information on performance.

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

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

- **Detailed comments (if any): Consider providing additional guidance and practical application for those areas mentioned above.**
- **Defining or enhancing concepts mentioned above e.g., double materiality, sustainability**

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: Agree (with no further comments)

Detailed comments (if any):